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Ideas in Practice:
The Political Economy of Chinese State Intervention during the New Policies Period (1068-1085)

A dissertation presented

by

Yinan Luo

to

The Department of East Asian Languages and Civilizations

in partial fulfillment of the requirements

for the degree of

Doctor of Philosophy

in the subject of

East Asian Languages and Civilizations

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Ideas in Practice: the Political Economy of Chinese State Intervention during the New Policies Period (1068-1085)

Abstract

I take the New Policies period (1068-1085) to be a critical juncture in Chinese history during which, for the first time, the Chinese state initiated systematic intervention into the market. This period witnessed the failure of plans to shape the collective action of bureaucrats and coordinate market actors through a host of organizing mechanisms. I explain why the policy makers in this historical process failed to incorporate and organize the ideas and interests of social actors, political elites and relevant bureaucracies into the state's authoritative action.

I argue that this failure was an outcome of the interaction between the political philosophy of the drafters of the New Policies and their historical context. In particular, it was a result of the incapacity of the drafters' worldview to correctly explain and resolve unexpected problems in the policy environment, including the influence of political philosophies that were in fundamental conflict with the ideas of Wang Anshi, as well as the reaction of political elites to the New Policies, the rationales and behavioral modes of bureaucrats in financial markets and state monopolies, and unpredictable changes in the marketplace that bedeviled bureaucrats.

Table of Contents

ACKNOWLEDGEMENTS V

INTRODUCTION..... 1

PART ONE THE INTELLECTUAL ORIGIN OF STATE-BUILDING DURING THE NEW POLICIES ERA (1068-1085) 71

INTRODUCTION 71

CHAPTER ONE WANG ANSHI'S POLITICAL PHILOSOPHY ON STATE-BUILDING 77

PART TWO THE INTELLECTUAL ORIGINS AND POLITICAL CONSEQUENCES OF DEBATES ON THE RURAL CREDIT POLICY (1069-1071).....129

INTRODUCTION 129

CHAPTER TWO THE INTELLECTUAL ORIGINS OF THE DEBATES ON THE RURAL CREDIT POLICY 140

CHAPTER THREE FROM TOLERATION TO EXCLUSION: POLICY FORMATION MECHANISMS AMONG POLITICAL ELITES DURING THE RURAL CREDIT POLICY MAKING PROCESS (1069-1071) 192

PART THREE STATE INTERVENTION IN THE SALT AND TEA MARKETS DURING THE NEW POLICIES PERIOD (1071-1085): PERSPECTIVES AND PRACTICE.....255

INTRODUCTION 255

CHAPTER FOUR CHANGING POLICY PARADIGMS IN THE CONTROL OF POND SALT VOUCHER PRICES DURING THE NEW POLICIES PERIOD (1072-1080) 258

CHAPTER FIVE REGULATION AND BUREAUCRACY IN THE STATE MONOPOLY OF TEA AND SALT MARKETS (1080-1085) 320

CONCLUSION 383

SELECTED BIBLIOGRAPHY.....393

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I learned from Professor Bol that history is a process in which different choices emerge and are eclipsed. I can still remember the question he asked me nine years ago: why did certain choices prevail during some historical periods while others disappeared? I will keep that question in mind throughout my future work as a historian. I believe that the power of historians is rooted in our discovery of the past choices, paired with optimism about the hopes that we human beings hold on to as we face the future. This dissertation is the result of one phase of my exploration into that question.

Although he is best known as a great scholar in the field of modern comparative political economy, Professor Hall's ideas on ontology, methodology, the relationship between ideas and institutions, and the state-market relationship have greatly influenced my thinking about eleventh-century China. I believe that his thoughts will provide inspiration and wisdom to other scholars of my generation who are devoted to promoting dialogue between different academic disciplines to celebrate the significance of Chinese history to the modern social sciences.

I was also privileged to have Anthony Saich and Daniel Ziblatt as my teachers and readers of my work. Professor Saich provided useful feedback that triggered me

to rethink the connection between the Chinese state in the pre-modern and modern periods. Professor Ziblatt introduced me to the field of state-building in the summer of 2007, and his work on European state-building and democratization helped build the solid basis for my studies in the field of comparative politics.

I would also like to express my gratitude to my other teachers for their encouragement and guidance, including Deng Xiaonan, Yan Buke, Ge Zhaoguang, Charles Hartman, Huang Kuanchong, Paul Smith, Huge Clark, Xue Lan, Wu Yongping, Roderick MacFarquhar, Nancy Hearst, Song Jaeyoon, Elizabeth Perry, Zhu Tianbiao, Ralph Thaxton, Kathleen Thelen, Michael Szonyi, and Vivien Schmidt. I also would like to thank Tina, Macabe and Javier for their thoughtful comments and candid challenges.

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enough, but I will devote my whole life to taking care of them.

Abbreviations of Titles

SHY　宋會要輯稿

XCB　續資治通鑒長編

SS　　宋史

QSW　全宋文

INTRODUCTION

In framing a government which is to be administered by men over men you must first enable the government to control the governed; and in the next place oblige it to control itself.

-James Madison

In the early summer of 1944 the Vice-President of the United States, Henry Wallace, paid an official visit to China, a country that had experienced a century's turmoil, disease, warfare and disasters, yet sought her rejuvenation amid the hard times of the Second World War. As a key member of President Franklin Roosevelt's New Deal movement, Wallace had been noted for his initiation of the " Ever-Normal Granary" plan that distributed farm loans while he was the Secretary of Agriculture (1933-1940). The plan represented the first systematic intervention by the U.S. government into the agricultural credit market to stabilize commodity prices, oversee farm income goals and provide non-recourse loans to farmers.[1]

On 22 June 1944, Wallace gave a speech at the luncheon party hosted by the Chinese National Government. We have some notion of his comments from a Chinese translation published in a contemporary newspaper, which quotes him as stating, in part,

> It was ten years ago that I learned for the first time about the famous Chinese New Dealer who lived about 900 years ago, Wang An-shih. Under very great difficulties he was faced in the year of 1068 with problems which, allowing for the differences between historical periods, were almost identical to the problems met by Franklin D. Roosevelt in 1933. The methods that he

[1]For an introduction to Henry Wallace and his policies, see Derk Bodde, "Henry A. Wallace and the Ever-Normal Granary", The Far Eastern Quarterly, 5 no. 4 (1946):411-26

> employed were strikingly similar. Wang An-shih inaugurated a system of crop planning, rural credit interest adjusted to the capacity to pay, a public works program and a number of other acts which reflected the interests of the common people. I know that due to the absence of democratic institutions in the political system of Wang An-shih's time, the reforms initiated by the government could not receive support from common people. Wang An-shih's reform therefore ended up being frustrated in its implementation. Nevertheless, Wang An-shih left an enduring impression in the Chinese tradition of statecraft, and what was beyond the reach of the paternalistic regime nine centuries ago is within the reach of democratic regimes today.[2]

Some may be surprised that a Vice-President of the United States had admitted to an intellectual affinity with an eleventh Chinese Grand Councilor and reformer. Not coincidently, Wang Anshi's New Policies had also attracted the attention of Vladimir Lenin and Georgi Plekhanov, the Russian revolutionary state-builders. In 1906, they had a serious debate on how to build the economic foundation for the Soviet state. Plekhanov presented Wang Anshi as an example to illustrate that land collectivization would only restore the tradition of the absolutist state, one that exercised its coercive power through control of the land and labor forces because of state advantage in comparison with other social classes. Collectivization was therefore doomed to fail because it would block the development of new social classes. Lenin refuted this argument by stating that the historical circumstances between eleventh century China and twenty century Russia were fundamentally different. The peasants in Russia would build their own organizations to manage their economic affairs successfully

2 This translation is based on the Chinese version of this speech, which was published in Xinhua Daily, 1944.6.23. The translation used here comes from that of Li Chaomin "The Influence of Ancient Chinese Thought on the Ever-Normal Granary of Henry A Wallace and the Agricultural Adjustment Act in the New Deal," in The History of Ancient Chinese Economic Thought, ed. Cheng Lin et al (London and New York: Routledge Press 2014), 216,223. Several grammatical corrections have been made to the translation.

under the support of the new state.[3]

Despite their varied political views, those figures shared an interest in Wang's New Policies in comparative perspective, and considered their significance for statesmen who faced some of the same challenges as eleventh century Chinese reformists. The questions that guided their reflections included how to explain the failure of Chinese reformists to achieve their purposes, and how the historical experience of Chinese reform might enrich their theories of state-building. Behind those questions lay the puzzle that James Madison has asked: how could the government, having control over others, control itself?

The Puzzle on the History of the New Policies Period (1068-1085)

In 1067, the nineteen-year-old Emperor Shenzong (1048-85) ascended the throne with an ambition to redress the military, economic and social crises that beset his state. In the second month of 1069 Shenzong appointed Wang Anshi (1021-1086) as Vice Grand Councilor and initiated a series of New Policies designed by Wang. The wide-ranging reforms covered fields including the state-market relationship, labor force mobilization systems, social welfare, the bureaucratic system, state institutions at the grass-roots level of society, education and the civil examination system, state economic organizations, and military institutions.[4] The goal of these social and

[3] See Liening quanji 列寧全集, v12 (Beijing: renmin chubanshe 1975) ,226

[4] For a comprehensive description of the new policies, see Paul Smith, "Shen-tsung's Reign and the New Policies of Wang An-shih 1067-1085", in The Cambridge History of China v5

economic policies was to repress the engrossing families and rebuild the social and market order to benefit the common people and small market actors while increasing productivity.

State activism during this period had a philosophical grounding that inspired the New Policies drafters' vision of the coherence between people's subjective world and the external environment, and shaped their scheme to build an order not only for the state but for people's minds. Such a vision gave the Chinese reformists great confidence that their policies represented the only choice capable of overcoming all the crises the dynasty was facing. They also believed that the economic problems that they met could be resolved by forging a bureaucratic system capable of attaining high degrees of efficiency, collectivity and creativity. The measures they designed and practiced were based on a firm belief that they could discipline the minds of bureaucrats through their construction of the institutional environment. Their goal was to build an economic order by building the order of people's minds, and they believed that overcoming any policy deviations in the economic field was possible even without knowledge of the economic system, using the enforcement of mental correction via education and material incentives.

My dissertation focuses on three cases to show how such ideas interacted with the real historical context to produce the actual modes by which the Song state governed the economy. The New Policies provoked great debate among the political elites at the court in the first three years of the Reform Era (1069-1071) when the rural

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Part One: The Sung Dynasty and Its Precursors 907-1279, ed. Denis Twitchett and Paul Smith, (Cambridge: Cambridge University Press, 2009), 347-478

credit policy began its implementation. The opponents included statesmen and some of the most important political thinkers of the mid-eleventh century, who also had great influence over the Chinese tradition of political philosophy. These figures had established their own systematic visions of political order; they addressed similar questions regarding the way of ruling as Wang Anshi faced, but they provided different answers to those questions. Their worldviews guided them to oppose the entire range of New Policies. The repercussions of the New Policies in the intellectual world reflected the ontological diversity that had long existed in the tradition of Chinese political philosophy.

The result of these debates was the construction of factional alliances, the clarification of irreconcilable attitudes between factions, and the purging of critics from decision-making circles. This marked a change from the existing deliberation mechanism that was characterized by policy makers' ideally unbiased incorporation of different opinions, full responsiveness to policy feedback and strong capacity to shape collective choices. Such a policy formation mechanism had taken shape since the early Song dynasty, at least in an idealized conception. Even though Emperor Shenzong's original intention was to keep on following this path-dependency, the policy formation mechanism fundamentally changed after 1071, when the debate on economic policy led to political exclusion based on factional lines.

After the tenth month of 1076, Wang Anshi resigned from his leadership position and Emperor Shenzong began to take full control of the reform process. The Emperor also launched a campaign against the Tangut Xi Xia in 1081, which increased the

fiscal pressure on the Song state. Local governments close to the frontier uncontrollably expanded their local debt to buy war materiel and relied on the central government for repayment. The over-issuance of local debt caused serious depreciation of bonds such as salt vouchers. The central formulators of the New Policies tried different ways to resolve this problem, but their measures only aggravated the financial crisis. They found no way to integrate the interests of local government with the central bureaucracies, and the competition between bureaucracies made the central leaders lose their autonomy in making policy.

This great fiscal pressure also motivated the central leaders and bureaucrats to increase revenue rather than continuing their previous social protection policies. In the economic field, policy implementation at the local level had deviated from the original intention of repressing "engrossing" families, protecting small market actors and increasing productivity. The court could not exercise efficient control over local bureaucrats. Government agencies and state monopolies abused their power in order to gain benefits in the marketplace. They built alliances with powerful merchants to manipulate the market. The competition between bureaucracies at both central and local levels also intensified due to their squabbling for economic interests. Although the drafters of the New Policies had used their plans to deal with those problems, the interaction between those plans and real context caused their failure to resolve those deviations.

In the third month of 1085, Emperor Shenzong died and Emperor Zhezong took the throne under Dowager Empress Xuanren as regent. The opponents of the New

Policies came back to the court, abolishing most of the policies and purging those who had supported them. The New Policies were only restored after the death of dowager empress Xuanren, at the beginning of Zhezong's personal rule in 1093. The Song state continued these policies until it was defeated by the Jurchen state and collapsed in 1127.

I take the New Policies period as the critical juncture in Chinese history during which, for the first time, the Chinese state initiated systematic intervention into the market. This period witnessed the failure of plans to shape the collective action of bureaucrats and coordinate market actors through a host of organizing mechanisms. I explain why the policy makers in this historical process failed to incorporate and organize the ideas and interests of social actors, political elites and relevant bureaucracies into the state's authoritative action. I argue that the interaction between the New Policy makers' political philosophy and their historical context produced such an outcome. In particular, this failure was the result of the incapacity of the New Policy makers' worldview to correctly explain and resolve unexpected problems in the policy environment, problems that included the competition of political philosophies that were in fundamental conflict with Wang Anshi, the reaction of political elites to the new policies, the real rationales and behavioral modes of bureaucrats, and unpredictable changes in the marketplace that bedeviled bureaucrats.

One question that had guided my research is: how might we interpret their failure

by using theoretical perspectives that foster dialogue between the fields of scholarship on state building that span temporal and spatial lines? As I will show in my literature review, such a goal can be attained through conducting historical research on various historical questions, constructing mechanisms to explain these puzzles by using the concepts that have been employed in the scholarship of comparative politics, and challenging or enriching the existing theories that have commonly concerned scholars across disciplines.[5]

In the next sections, I will first discuss the perspectives that have been used in previous scholarship to explain the conundrums of the New Policies period. I will discuss phenomena that are not explained by those studies due to the limits of their perspective. I will discuss current approaches that scholars in other fields adopt to resolve related theoretical puzzles, and the limits of their methodology and arguments. I will then introduce my new approach, demonstrating the contribution that the research at hand can make to this literature.

The Passive-State Perspective and Its Application in Studies of the New Policies

Scholars adopting the passive-state perspective tended to understand the policy

5 My approach is different from the one that seeks the causual inference by conducting multi-cases studies. For some classic works on new advances in the methodology of single-case studies and historical approaches in the field of comparative politics, see Gary King, Robert Keohane and Sidney Verba, Designing Social Inquiry: Scientific Inference in Qualitative Research. (Princeton: Princeton University Press, 1994) ; Peter Hall, "Systematic process analysis: when and how to use it" European Management Review 3 (2006), 24-31. For a discussion on methods of historical sociology, see Theda Skocpol, Vision and Method in Historical Sociology (Cambridge: Cambridge University Press,1984). Daniel Ziblatt and Giovanni Capoccia, "The Historical Turn in Democratization Studies: A New Research Agenda for Europe and Beyond," Comparative Political Studies, 43(2010):931; Marcus Kreuzer, " Historical Knowledge and Quantitative Analysis: The Case of the Origins of Proportional" APSR 104 (2010):369; Dan Slater " Introduction: The Contributions of Southeast Asian Political Studies," in Erik Kuhonta, Dan Slater and Tuong Vu ed., Southeast Asia in Political Science: Theory, Region, and Qualitative Analysis (Stanford University Press, 2008)

making and implementation process as an interactive dynamic between social and political actors, such as classes, elite groups, bureaucratic groups, social groups, factions, interest groups or even individual policy participants. As Theda Skocpol has summarized,

> "Government was viewed primarily as arena within which economic interest groups or normative social movements contended or allied with one another to shape the making of public policy decisions. Those decisions were understood to be the allocation of benefits among demanding groups."[6]

Such a perspective assumes that policies and their outcomes are the reflection of the interests of certain actors who have won in competition with other actors. It implies the exclusive characteristic of the policy process because the actors who lost the competition would be excluded from the policy making process and their interests would be sacrificed in the course of policy implementation. The rulers would only respond to the requests of some actors but ignore other actors. Scholars therefore overlook independent mechanisms that could translate the interests of competing actors into collective goals and organize those actors to implement those goals.[7] In explaining the motivation of such competition and cooperation, scholars such as the behaviorists and those who advocate the game-theory approach take people's pursuit of self-interest as the foundation for explaining the relationships of the actors. The result of the competition was taken as determined by the comparative advantage in

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[6] Theda Skocpol, "Bringing the State Back In: Current Research,"in Bring the State Back In Ed. Peter Evans, Dietrich Rueschemeyer and Theda Skocpol (Cambridge: Cambridge University Press, 1985), 6

[7] For introduction to this perspective, also see Stephen Krasner, " Alternative Conceptions and Historical Dynamics," Comparative Politics, 1(1984) :223

controlling resources.[8]

The tradition of the society-centered perspective on the state can be traced back to the European republican theorists from the thirteenth to the sixteenth centuries, and it was further developed by scholars from John Locke to Karl Marx. All of these scholars, despite using different terminologies, depicted a common concept of the state that amounts to nothing more than a reflection of the interests of social groups and the sovereignty of the people.[9] For example, the Marxist and Neo-Marxist state theories insisted that the state is inherently shaped by class and class struggle, as well as its function to preserve and expand the modes of production.[10]

In contrast to Marxist class theory, scholars following the pluralist theory did not single out class as the only social division. Instead, they adopted multiple categorizations such as interest groups, factions and cliques. Using this perspective, Eric Nordlinger pointed out that "the civil society is made up of a plethora of diverse, fluctuating, competing groups of individuals with shared interests."[11] The state was

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[8] For introduction to these approaches, see Gerardo Munck, "The Past and Present of Comparative Politics." In Passion, Craft and Method in Comparative Politics, E Munck et al, ed.(Washington D. C: John Hopkins University Press, 2008) ,41

[9] For example, see John Locke, Two Treatises of Government. Ed.,Laslett P. (Cambridge: Cambridge University Press, 1967). For a discussion on this issue, see Quentin Skinner, "State," in Political Innovation and Conceptual Change, ed., Terence Hall, James Farr and Russel Hanson, (Cambridge: Cambridge University Press, 1989), 112-119

[10] Karl Marx and Friedrich Engels, The German Ideology (Including These on Feuerbach and Introduction to the Critique of Political Economy) (New York, Prometheus Books,1998).Theda Skocpol, "Bringing the State Back In: Current Research",5. For the important works adopting this perspective, see Perry Anderson, Lineage of the Absolutist State (London: New Left Books, 1974). Goosta Esping-Anderson, Roger Friedland, and Erik Olin Wright. "Modes of Class Struggle and Capitalist State" Kapitalistate, 2-5 (1976) , 186-220

[11] Eric Nordlinger, On the Autonomy of the Democratic State (Cambridge: Harvard University Press, 1981),151

viewed primarily as an arena within which different social, ethnic, economic, political and gender groups contended or worked together to shape public policy decisions.[12] Scholars, therefore, focused more on the allocation of power and benefits among different groups than on other state functions, such as the management of social affairs and the mobilization of social resources.[13] This pluralist model can be applied to the study of American and Western European democratic states because of the existence of intermediate channels through which social groups influenced the policy-making process.[14]

Such a way of understanding the state has been prevailing among scholars in both Japan and China since the 1950s. Based on their grand theories of the changing relationship between classes, social and political groups, scholars divided Chinese history into different periods and argued that the coherent features of each period were shaped by the dominant classes or social groups. The origins and consequences of the New Policies have also been explained from this perspective. Despite their differences in defining the actors, they have shared similar views in explaining the failure of the New Policies as the outcome of the competition between social and political actors.

Miyazaki Ichisada, an influential figure in the Kyoto school, introduced the

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[12] For the classic Pluralist works, see Robert Dahl, Who Governs? (New Haven Conn: Yale University Press, 1961). Raymond Wolfinger, The Politics of Progress (Englewood Cliffs: N.J: Prentice-Hall, 1974). Nelson Polsby, Community Power and Political Theory (New Heaven: Yale University Press, 1961). Graham Allison, Essence of Decision: Explaining the Cuba Missile Crisis (Boston: Little, Brown, 1971). Morton Halprin: Bureaucratic Politics and Foreign Policy (Washington, D.C: Brooking Institute, 1971)

[13] Stephen Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," Comparative Politics 16 no2 (1984): 224

[14] Suzanne Berger ed., Organizing Interests in Western Europe: Pluralism, Corporatism and the Transformation of Politics, (Cambridge: Cambridge University Press, 1981), 1-27

scholar-official (shidafu) as an important element in his interpretation of the macro-level Tang-Song transition and the micro-level outcome of the New Policies. Miyazaki Ichisada differed from scholars who defined the unchecked personal power of the Emperor as the essential characteristic of "oriental despotism," instead focusing on the existence of governmental agencies occupied by scholar-officials as the instruments of the Emperor's absolute rule. This bureaucratic structure was the essential element of "Kunjyu dokusei 君主獨裁. "[15] The Song government in Miyazaki Ichisada's interpretation was similar to early modern European absolutist governments in their disempowerment of the aristocracy through the creation of unified bureaucratic systems.[16]

In Miyazaki Ichisada's argument, the social foundation of the absolutist state in early eleventh-century Song lay in the alliance between the scholar-official class and the Emperor. The expansion of the civil examination system caused not only the demise of the aristocratic class, whose status had originated from their clan pedigrees, but also the emergence of the new scholar-official class, whose social status depended on success in the examinations and occupation of official posts in the government. The scholar-official class became the dominant class in early modern China because it

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[15] Miyazaki Ichisada, "Dongyang de jinshi 東洋的近世" Chinese translation in Riben xuezhe yanjiu zhongguo shi lunzhu xuanyi 日本學者研究中國史論著選譯, (Beijing, Zhonghua shuju chubanshe, 1992),191

[16] For a brief introduction to the characteristics of the absolutist state, see John Miller ed.,Absolutism in Seventeenth-Century Europe (London: Macmillan Press,1990) Gianfranco Poggi, The Development of Modern State: A Sociological Introduction. (California University Press, 1978). James Liu also substituted "autocracy" for "absolutism" to emphasize the importance of the grand councilors as the Emperor's surrogates. See James Liu, China Turning Inward, Intellectual-Political Changes in the Early Twelfth Century (Cambridge: Council on East Asian Studies, Harvard University 1988)

simultaneously controlled the land resources, commercial capital, and cultural resources while occupying government posts. The new scholar-official class was fully obedient to the Emperor, but its members did not hold absolute authority at the local level. Clerks, who also had literary knowledge but were often accused of pursuing their private interests, filled the resulting power vacuum. The absolutist state could not satisfy the social demands of the peasantry and other social groups who were excluded from public discourse. In order to fulfill their demands, these groups could only use violence to overthrow the imperial government and establish a new dynasty. Even dynastic turnover, however, could not shake the dominant status of the scholar-official class in the government. The interaction between these classes would inevitably result in increasing social inequality because the scholar-official class would use its existing advantages to squeeze more resources from the lower classes. Chinese history was therefore deeply involved into the dynastic cycle.[17] In Miyazaki's conception, the Northern Song dynasty was the first to predominately reflect the interests of the scholar-official class and the autocratic Emperor, and this power structure remained stagnant until the end of imperial China.

In his explanation, the New Policies represented an effort taken by some members within the scholar-official class to prevent the increase of social inequality. Such reform could not shake the economic foundation of the scholar-official class, however, as it would deploy the political, cultural and economic resources that it

[17] Miyazaki Ichisada, "Dongyang de jinshi 東洋的近世",198-201

tightly controlled.[18] In the court, the faction that opposed the New Policies represented the voice of the scholar-officials whose economic interests had been damaged by the New Policies. The opponents at the court shaped a unified discourse to formulate a negative moral judgment of the new policies.[19] The resistance from the economic field was also serious. All these factors determined the failure of the new policies.[20]

Chinese Marxist historians have viewed the Song dynasty as one part of the Chinese feudal period which lasted until 1840. The dominant class throughout the entire feudal period was the landlord class, and the conflicts between landlords and peasants lasted throughout this period. Based on such a view, they take the failure of the New Policies to be the outcome of the conflict between the small landlord and the big landlord classes, as well as between the landlords and peasants. Scholars such as Qi Xia have argued that the New Policies represented the economic interests of the small and middle landlord class; failure came because of opposition from the big landlord class.[21] Other scholars like Meng Wentong and Wang Zengyu disagree on this point. According to Meng Wentong's argument, the New Policies represented the entire landlord class's collective choice to exploit the peasant class. Due to the

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18 M*iyazaki Ichisada, "Dongyang de jinshi* 東洋的近世*,"*201

19 Miyazaki Ichisada, "宋代の士風" in Miyazaki Ichisada, Miyazaki Ichisada zensh*ū*.11 宮崎市定全集（Tokyo : Iwanami Ihoten, 1991-1994）339-75

20 Miyazaki Ichisada, "北宋史概說," in Miyazaki Ichisada,Miyazaki Ichisada zensh*ū*.10 宮崎市定全集（Tokyo : Iwanami Ihoten, 1991-1994）

21 Qi Xia 漆俠 Wang Anshi bianfa 王安石變法,(Hebei: hebei daxue chubanshe, 2001); Saeki Tomi 佐伯富, O Anseki 王安石 (Tokyo: Fuzanbo 1941), 153,154, 156

resistance of the peasants, the New Policies failed.[22]

Scholars working from Qi's perspective say that Wang Anshi's stated goals for the policies provide the evidence to support their argument that the New Policies tended to repress the interests of the scholar-official or big landlord class. As these scholars have emphasized, Wang Anshi emphasized that the new policies protected the small merchants and repressed the economic interests of the "engrossing families 兼併之家." These scholars therefore equate the engrossing family with the scholar-official or the big landlord. They further assume that these social classes had gained great advantages and thwarted the successful implementation of the New Policies.

Scholars like Meng and Wang, who take the New Policies to reflect the interests of the entire landlord class, can also find evidence to support their argument. They focused on the real implementation of the policies, arguing that their implementation process seriously damaged the interests of the peasants and therefore inspired great resistance.

Despite their different arguments, these scholars shared a common focus on economic policies, using them as evidence to show how they damaged or benefited the interests of different social classes. However it is impossible to put any class label on the whole body of political thought belonging to either supporters or critics of the New Policies. Class is a term used to categorize people's position in the economic system. It is impossible to assume that people with similar economic positions will

[22] Meng Wentong 蒙文通 Gushi zhenwei beisong biananfa lungao 古史甄微北宋變法論稿 (Sichuan: bashu shushe 1999) ,402-73; Wang Zengyu 王曾瑜, "Wang Anshi bianfa jianlun 王安石變法簡論," Zhongguo shehui kexue 中國社會科學 1983 (3)

share the same political thought. As we will discuss, both the drafters of the New Policies and their critics worked from their own ideological positions that integrated issues such as human nature, moral principle, and specific policies into their lines of reasoning. Their worldviews guided their attitudes toward the policies, and also shaped the institutions and policies throughout the real political process. Those thoughts covered issues ranging far beyond economic plans, and it is impossible to label those thoughts as reflections of class.

Moreover, based on their political theory of how to shape the bureaucrats' collective action and innovative capability, the formulators of the New Policies had built institutions to strengthen the state's capacity to deal with market changes so that they could guarantee the goal of increasing both social productivity and the state's revenue. They believed that such an institutional context would give local bureaucrats the autonomy to arouse their enthusiasm and capacity to resolve any problems related to the market. We can hardly interpret these institutions as representing the interests of particular classes.

Scholars who analyze history from the perspective of social classes commonly attribute the failure of the New Policies to the dominant power of the scholar-officials or big landlords. They assumed that the drafters of the New Policies remained inactive in facing those challenges. Our study will show that the drafters of the New Policies had designed and implemented a complete scheme intended to guarantee that bureaucrats could overcome the influence of the powerful classes in their governing process. The question posed for us is why these measures failed to prevent the state

from being captured by the powerful classes.

Another group of scholars attributes the failure of the New Policies to the "factional struggle 黨爭" that occurred throughout and after the New Policies period. Factional politics are an important phenomenon in Chinese political history. Scholars have long noted that both critics and supporters of the New Policies at the court used the term "faction (黨)" to label the other side. "Faction" is an important discourse that historical agents had employed to interpret the policy making process. The New Policies were rescinded by the opposing faction after Emperor Shenzong's death, so it is undeniable that the opposing faction struck the fatal blow to the New Policies and directly caused their failure at the court.

Based on such a view, these scholars focus on ways to define the factions and portray their relationship. Scholars like Naito Konan and Deng Guangming emphasize that the factions are divided by their conflicting political assertions, such as different views on policy.[23] Scholars such as Saeki Tomi hold that the factions formed based on regional ties.[24] Scholars like Hirata Shigeki take the factions to have formed in the administrative system, with multiple factors collectively shaping members' identities

[23] Naito Konan 內藤湖南, "gaikuo de tangsong shidai guan 概括的唐宋時代觀"in riben xuezhe yanjiu zhongguo shi lunzhu xuanyi 日本學者研究中國史論著選譯, ed., Liu Junwen 劉俊文 (Beijing, Zhonghua shuju chubanshe, 1992). Richard von Glahn, "Imagining Pre-modern China" in,The Song-Yuan-Ming Transition in Chinese History, ed.Richard von Glahn and Paul Smith. (Cambridge: Harvard University Press, 2003) ,40; Fogel, Joshua, Politics and Sinology: The Case of Naito Konan,(Cambridge: Harvard University Press, 1984)

[24] Qiu Weijun 丘為君, "Wang Anshi bianfa shibai de yuanyin---yige jingjixue guandian de jieshi 王安石變法失敗的原因—一個經濟學的解釋," Shiyuan 史苑 9 (1978); Higshi Ichio 東一夫 O anseki to Shiba Ko 王安石と司馬光 (Tokyo: Kokusho kankokai 1990); Saeki Tomi 佐伯富 O Anseki 王安石 (Tokyo: Chūō Kōronsha, 1990).

in their factions.[25] Scholars like Kumamoto Takashi have taken the personal relationship between Wang Anshi and his subordinate officials as the key factor that motivated them to build a faction.[26] Scholars like Luo Jiaxiang take ideological differences as the main standard for defining factions.[27] Scholars like Daniel Levine stress that the factions in the New Policies period shared similar discourse in their attacks on others, but argue that they were in fact only loosely bound ministerial coalitions.[28]

Despite their differences, all of these scholars take the faction as an independent variable for explaining changes in policy. The Song state is viewed as a place in which different factions competed to shape national policies. These studies overlook three important facts, however. First, the political elites' identity as members of the same faction and their perception of the factional alliance of their opponents during the New Policies period only emerged after Wang Anshi publicly refuted Han Qi's critique of the Green Sprouts Policy in the third month of 1070. Although different opinions existed during the initiative stage of the Green Sprouts Policy, the debaters still focused on how to resolve the policy problems, rather than addressing the alleged

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[25] Hirata Shigeki 平田茂樹, Sodai Seiji kozo kenkyo 宋代政治構造研究 (Tokyo: Kyūkoshoin, 2012)

[26] Kumamoto Takashi 熊本崇, "熙寧年間の察訪使：王安石新法の推進者たち," Shukan Tokyogaku 集刊東洋學 58(1987)

[27] Luo Jiaxiang 羅家祥, Beisong dangzheng yanjiu 北宋黨爭研究 (Taibei: Xinwenfang chuban gongsi,1983)

[28] Ari Daniel Levine: Divided by a Common Language: Factional Conflict in Late Northern Song China (Honolulu: University of Hawaii Press, 2008), 12

factional alliances of their opponents. Second, the Emperor intended to incorporate and organize different opinions to respond to problems and revise his policies. He kept holding to such attitude until he eventually demoted Sima Guang in 1071. Third, although the political elites discussed factions before and during the initial stages of the New Policies period, “faction” played no role in the actual policy formation mechanism. Only after 1070 did factional reaction have real political consequence. The political elites then began to adopt collective action based on their identities as factional members. Their attitudes towards policy came to be determined by their judgment of the factional alliances of those holding various views. Those who gained policy-making power would expel those who they took as belonging to the opposing factions. The “faction” was therefore created as a device by political elites to show their different worldviews to the public in hopes of gaining large-scale support from the entire literati group.

Previous research on this issue has failed to explain why such changes happened within the policy formation mechanism in the initial stage of the New Policies period (1069-1071). In particular, we should ask why the effort to organize different views based on their merit in resolving actual problems failed, and why factional lines came to play the decisive role in the policy formation process. These questions will lead us to take factional alliances as the outcome of the historical agents' interaction in the historical context. Under such a perspective, a state that only reflected the interests and ideas of factions was the consequence of the historical process rather than the preexisting condition of that process. The effort to build different policy formation

mechanisms had also been tried by various historical agents as a possible alternative. My dissertation will explain why historical agents made one choice rather than another.

A third group of scholars takes Emperor Shenzong as the main reason for the deviation of the New Policies from their original goals, echoing the common statement that the Emperors of the Northern Song dynasty had the autocratic power to decide national policies and control bureaucracies.[29] Based on such a view, these scholars argue that Shenzong's pursuit of his private economic interests led the implementation of the New Policies to deviate from the policy makers' original intention to protect the majority of market actors. Due to his shift of attention to revenue collection, the bureaucrats followed his lead to squeeze resources from society.[30] These scholars also go beyond class to study the operation of the political system and discuss its relationship with the outcome of the New Policies.

Such studies however cannot explain several problems. First, throughout the

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[29] Naito Konan 內藤湖南, "Gaikuo de tangsong shidai guan 概括的唐宋時代觀" riben xuezhe yanjiu zhongguo shi lunzhu xuanyi 日本學者研究中國史論著選譯, (Beijing, Zhonghua shuju chubanshe, 1992). For a good review an critique of this view, see Peter Bol, "Emperor Can Claim Antiquity Too," in Emperor Huizong and Late Song China,ed.Patrcia Ebrey and Maggie Bickford (Harvard: Harvard University Press,2006) 176; 175-83; also see Pingtian maoshu 平田茂樹 "Shuping wangruilai zhu songdai huangdi quanli he shidafu 書評王瑞來著宋代皇帝權力和士大夫政治," in Songdai zhengzhi jiegou yanjiu 宋代政治結構研究 Trans. Wang Shuizhao 王水照 (shanghai: shanghai guji chubanshe 2010) ,45

[30] For example, see Ye Tan 葉坦, Dabianfa 大變法, (Beijing: Sanlian chubanshe 1996), 240-243; Zhang Yuan 張元 "Cong Wanganshi de guannian kan ta yu shenzong de guanxi 從王安石的觀念看他與神宗的關係" in Songshi yanjiuji 宋史研究集 23 no2 (1995) (Taibei: Guoli bianyiguan 1993) , Paul Smith, "Shen-tsung's Reign and the New Policies of Wang Anshih 1067-1085" in The Cambridge History of China, v5 Part one: The Sung Dynasty and Its Precursors, 907-1279 , ed. Paul Smith and Denis Twitchett (Cambridge: Cambridge UniversityPress, 2009), 347-484

New Policies period, Emperor Shenzong always maintained that the New Policies should protect the interests of small producers and merchants. He repeatedly emphasized that local bureaucrats should not exploit the small market actors. A close reading of the political thought of the drafters of the New Policies also illustrates their belief in the coherence between the goals of increasing revenue and strengthening social productivity. Surely it is important to address the role of the Emperor in the policy process, and we need to explain why the Emperor's intention to satisfy both goals eventually resulted in the achievement of one goal at the expense of the other after the policy was implemented by the bureaucratic system. Although we would not deny that the Emperor put priority to the revenue collection, we must explain how the Emperor and bureaucrat's belief in the coherence of different goals could give them the confidence to collect revenue while expecting that this would not damage their goal of increasing productivity.

Moreover, the drafters of the New Policies did not take the Emperor as the only determinative force in shaping policy. To the contrary, they attempted to build an institutional context that could discipline the mentality of bureaucrats so that their collective action and innovative capabilities could be maximized. It is therefore necessary to focus on the real effects of these measures, and explain how they could result in bureaucratic collaboration with big merchants. In particular, we should discuss why the Emperor's intention to collect the revenue caused his bureaucrats to sacrifice the interests of small market actors rather than increasing revenue through successful operation of the state's monopolies.

A fourth group of scholar focuses on how bureaucrats manipulated the New Policies to pursue their self-interest. This view takes the state as the reflection of the interests of bureaucrats. Policy was merely an instrument that the bureaucrats could freely interpret and carry out according to their own interests. These scholars argue that however good the intention of the drafters of the New Policies may have been, the policy was doomed to fail because it was impossible to control the implementer's self-interests. Such a perspective appeared even during the New Policies period, as can be seen in critical analyses by Sima Guang, Su Shi and Han Qi. Scholars such as Zhang Bangwei today explain the failure of the New Policies from a similar perspective.[31] Liang Gengyao, in his study of the State Trade Bureau, further argues that both the drafters of the New Policies and the bureaucrats shared the goal of pursuing fiscal interests for the state. Such a rationale guided them to expand the state's economic interests and seriously damaged the small market actors.[32]

In contrast to such arguments, scholars like Max Weber have pointed out that the bureaucrats' inefficient professional knowledge of the market and its problems caused the failure of the New Policies. Weber's understanding of the Chinese bureaucracy was part of his theoretical framework on the pattern of the patrimonial state. In his

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[31] Zhang Bangwei 張邦煒, Zhongguo wangchao xingwangshi liangsong juan, 中國王超興亡史兩宋卷(Guangxi renmin chubanshe, 1996), 117-120

[32] Liang Gengyao 梁庚堯 "shiyifa shu 市易法述" Songdai shehui jingjishi lunji shang 宋代社會經濟史論集上 (Taipei: Taibei yunchen wenhua shiye gufen youxian gongsi,1997); Wang Zengyu 王曾瑜, "Wang Anshi bianfa jianlun 王安石變法簡論," zhongguo shehui kexue 中國社會科學 1098 (3); Naito Korajiro 內藤虎次郎,Chuguku Kinseishi 中國近世史 (Tokyo : Kobundo, Showa1947) ,123

view, although the Chinese traditional bureaucracy had established a very advanced personnel system, such as the civil examination, the actions of bureaucrats still lacked a rational basis. Weber attributed the absence of rationality to the dominance of values such as filial piety. The lack of rationality also led the bureaucrats to ignore professional knowledge. Due to this problem, the New Policies failed.[33] The Chinese scholar Wei Tianan had also discussed in detail how the lack of bureaucratic capacity to manage the financial markets led to their expansion into other industries to gain more resources. The exploitive tendency of the State Trade Bureau was not only caused by its pursuit of revenue, therefore, but also by its lack of professional knowledge in the economic field.[34]

All of these discussions overlook an important aspect of the history of New Policies period. The bureaucratic problems that those scholars describe were also major concerns in the New Policy makers' vision of the political order, and they systematically designed measures for organizing bureaucratic collective action and strengthening their capacity to deal with market problems. In Wang Anshi's argument against contemporary critics, whom he accused of contributing to the failure of the New Policies to control the self-interest of policy participants, he showed strong confidence that the drafters of the policies had established sufficient institutional context to guide people's self-interest onto the right track to guarantee success. The real consequences, however, illustrate the failure of those measures. The main goal of

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[33] Weber, Max. Economy and Society, ed. Guenther Roth and Claus Wittich (Berkeley: University of California Press), 1040

[34] Wei Tianan 魏天安, "Songdai shiyifa de jingying moshi 宋代市易法的經營模式,"Zhongguo shehui jingjishi yanjiu 中國社會經濟史研究 2(2007), 20-29

this study is to explain that failure.

The State-as-Actor Perspective and its Use in Studies of the New Policies

The book Bringing the State Back in has been recognized widely as a breakthrough in the disciplines of political science and sociology because the authors and editors have convincingly reminded the academic community of the necessity of viewing the State as an autonomous research field. In this new conception the State is no longer viewed only as an arena within which social groups contend or ally with one another. Instead, the State is understood as an autonomous force and unitary actor that shapes the interests of other social groups through the process of governance.

This perspective can be traced back to the tradition originated by Thomas Hobbes. Scholars since the 16th century have portrayed the state as an entity "having its own rights and properties," as the single and supreme sovereign authority whose power remains distinct from the people, as well as the great "Leviathan" that is independent from the influences of any single individual or group in wielding its power over society.[35]

Scholars such as Max Weber and Otto Hintze continued this tradition in the late nineteenth century. These scholars focused on the functions of the State, rather than on social groups or government agencies. Weber, Charles Tilly and others defined the State as a "compulsory association that controls territories and the social resources within them through coercive means".[36] Tilly termed the essential characteristics of

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[35] Hobbes T. Leviathan, (Cambridge: Cambridge University Press, 1996)

[36] Max Weber, Economy and Society, ed. Guenther Roth and Claus Wittich. (Berkeley: University of California Press,1978), Vol.2, Chapter 9 and Vol.3, Chapter 10,13

the State's operations as the notion of "stateness:"

> An organization which controls the population occupying a defined territory is a state in so far as 1) it is differentiated from other organizations operating in the same territory; 2) it is autonomous; 3) it is centralized; and 4) its divisions are formally coordinated with one another. [37]

Weber, Hintze and Tilly paid much attention to the functions of the state, which they thought could only be observed in the relations between state and society. This perspective is different from the "traditional institutionalism" perspective held by a group of scholars in the first half of the twentieth century whose works only focused on formal governmental institutions, legal codes and constitutions, although it should be noted that these two groups of scholars shared an emphasis on the State as an autonomous field of research.[38] The scholars devoted to this discussion revived the tradition of Hobbes, Weber and Hintze in the 1980's and created such new fields and research topics as "state capacity," "state autonomy" and "state-building" that have been engaging political scientists and sociologists since.

In her introduction to Bringing the State Back in, Theda Skocpol portrays the State as "a set of organizations through which coherent collectivities of officials may

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[37] Chales Tilly., The formation of National States, (Princeton NY, Princeton University Press, 1987),70.

[38] Lowell A The Government of England. (London: Macmillan Press, 1908). Laski H A Grammar of Politics (London: Allen and Unwin,1938). For a comparison between traditional institutionalism and neo-institutionalism, see March J and Olsen J, "The New Institutionalism: Organizational Factors in Political Life," American Political Science Review, 78 no9: 734-49. Peter Hall, Governing the Economy: The Politics of State Intervention in Britain and France, (New York: Oxford University Press, 1986),20.Walter Powell and Paul Dimaggio ed. The New Institutionalism in Organizational Analysis, (Chicago and London:The University of Chicago Press, 1991) ,12-15

be able to formulate and implement distinctive strategies or policies."[39] Because the officials can achieve agreement on social problems and policy purposes insulated from contemporary dominant socioeconomic interests, the State as a whole can be taken as an actor independently exerting influence on society, thereby demonstrating its capacity of pursuing its policy purposes.

The state-as-actor perspective had also greatly influenced scholarship on the New Policies. The most important work that has adopted this perspective is Paul Smith's research on the State's economic activism in the tea industry of the Sichuan area. According to Smith, Chinese elites throughout the eleventh century focused their aspirations on serving in the government. As he notes,

> The ideological coherence and esprit de corps of the eleventh-century civil service insulated the Northern Song state to some extent from the importunate demands of specific social groups and classes, and contributed to a high level of what some sociologists term "state autonomy." Autonomy in turn promoted an expansive view of the appropriate spheres of state power, and an activist orientation to the burgeoning commercial economy. [40]

In Smith's argument the New Policies period witnessed the State's economic activism in the economic field. This activism mean "First the propensity of the state to participate in the commercial economy both directly, through monopolies and government enterprises, and indirectly through commercial taxation; and second a

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[39] Theda Skocpol, "Bringing the State Back In: Current Research," Ed., Peter Evans, Dietrich Rueschemeyer and Theda Skocpol, Bringing the State Back In (Cambridge: Cambridge University Press, 1985) ,20

[40] Paul Smith, Taxing Heaven's Storehouse: Horses, Bureaucrats, and the Destruction of the Sichuan Tea Industry 1074-1224 (Council on East Asian Studies, Harvard University Press, 1991) ,6

commitment to using state power both to promote economic activity and to increase the government's share of the economy's total resources."[41] State activism was promoted by the financial specialists whose wealth and power were directly linked to the expansive role of the State. By the mid-eleventh century this professional bureaucratic elite had "created a dense network of state monopolies and commercial tax stations dedicated to economic regulation, a network that drew half the state's revenues from commerce and industry."[42]

Paul Smith goes on to note that Wang Anshi provided a theory of " bureaucratic entrepreneurship" which encouraged bureaucrats to innovate policies and expand of the scope of government activities in the market. Guided by such a theory, the drafters of the New Policies also designed and put into practice the personnel institutions that led the bureaucrats to accumulate profit and replace the powerful market actors.[43]

He further argues that in practice, the State inevitably cooperated with powerful market actors despite its original intention to repress them. In Smith's view, the State could not monopolize the entire market but had to rely on merchants to retail its goods. In order to entice merchants into distributing tea on the market, the state chose to squeeze more tea out of the most vulnerable participants in the industry. As Smith concludes, "The degeneration of bureaucratic entrepreneurship into collaboration between state and merchant against the producer mirrored a more general failing of

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[41] Paul Smith, Taxing Heaven's Storehouse: Horses, Bureaucrats, and the Destruction of the Sichuan Tea Industry 1074-1224 6

[42] Paul Smith, Taxing Heaven's Storehouse: Horses, Bureaucrats, and the Destruction of the Sichuan Tea Industry 1074-1224 ,6-7

[43] Paul Smith, Taxing Heaven's Storehouse: Horses,,111-18

the New Policies activist strategy."[44]

The State in Smith's study is an autonomous actor. In an approach similar to that of Theda Skocpol, Smith holds that the State's autonomy was forged by professional officials who had their autonomy to determine economic policies. They were insulated from social interests and set policy under the guidance of their professional knowledge of the market, finance and enterprises. Smith's depiction of the characteristics of the New Policy makers also shows the influence of scholars such as Robert Hartwell and Dennis Twitchett, who reject Weber's argument that the bureaucrats in pre-modern China lacked professional knowledge on managing economic affairs.[45]

In Smith's explanation, the State failed to implement its goals in the New Policies period because it could not avoid the influence of powerful market actors. The nature of market structure determined that the State had to cooperate with other market forces, and ultimately had to give up its original plans and build coalitions with those actors. The State's autonomy was doomed, therefore, to be eclipsed by the market structure. That structure also determined the failure of the New Policies to promote the common good for all market actors.

The state-as-actor perspective assumes the coherence of the State. Scholars working from this perspective take any bureaucrat or government agency as a

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[44] Paul Smith, Taxing Heaven's Storehouse: Horses,, 309

[45] Rober Hartwell, "Financial Expertise, Examinations, and the Formulation of Economic Policy in Northern Sung China," The Journal of Asian Studies 30 no2 (1971), 281-314; Dennis Twitchett, The Financial Administration under the Tang Dynasty (Cambridge: Cambridge University Press,1963)

representative of the unitary State. For example, in Smith's work, the evidence illustrating the State's coalition with the powerful merchants is drawn from materials recording the activities of bureaucrats at the county level.[46] This unified image of the State cannot explain the conflicting views between local bureaucrats and the officials at the court. Even Paul Smith accepts that the New Policy makers never abandoned their policy goals throughout the New Policies period. This illustrates their disconnection with the "autonomous" State. For example, historical evidence shows how the court tried to prevent local bureaucrats from building coalitions with powerful merchants. If we take such factors into consideration, our explanation of the failure of the New Policies must be nuanced. Such failure was not simply caused by the existing market structure, but by the incapacity of the drafters of the New Policies to shape the collectivity of the bureaucrats and make them follow the original policy goals. From this a perspective, the unitary State should not be the analytical unit from which scholars analyze history. To the contrary, scholars should analyze why the State cannot become a unitary actor.

A Mechanism that Organizes Actors:

A New Perspective on State-building and Its Use in the New Policies

Both the passive-state perspective and the state-as-actor perspective make similar assumptions about the nature of the social and political world. Despite their differences, these two perspectives share premises about the deep causal structures of

[46] Paul Smith, Taxing Heaven's Storehouse: Horses,221

the world from which their explanations of history begin.[47] In both perspectives, the power process is monopolized by either the State or social elites in order to exercise domination. This kind of power can be exercised by a single group of people, whether it is a social class, interest group, or State, without having to cooperate with other groups, although different groups can simultaneously exercise their own despotic power in competition with another. This perspective assumes that the power holders naturally possess power without help from intermediary structures, thereby ignoring the institutions in which different actors participate, institutions that shape their capacity for resource mobilization. Historical sources are therefore interpreted as evidence of the despotic power of different actors and their conflicts with one another: social groups against the State, the small landlord class against the big landlord class, peasants against landlords, scholar-officials against the Emperor, the Emperor against other groups, or factions within the scholar official groups fighting one another. Both schools tend to interpret the nature of state power as domination, no matter who comes out on top. The actors therefore, are constantly engaged in a zero-sum game for dominance. The result of such a game is the exclusion of some actors from the power process. Such results can only be explained by the comparative advantage of each group in mobilizing resources and by their strategies in competition, as game theory strives to reveal.[48]

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[47] For discussion on ontology and methodology, see Peter Hall, "Aligning Ontology and Methodology in Comparative Research," in Comparative Historical Analysis in the Social Sciences ed. James Mahoney and Dietrich Rueschemeyer. (Cambridge: Cambridge University Press, 2003), 376

48 For the important works that adopt such a approach, see Margaret Levi, Of Rule and Revenue (University of California Press, 1988). Charles Tilly, " War Making and State

Moreover, because these scholars take the actors as their analytical unit, they assume the autonomy and cohesion of those actors. Any members of the State, class or group can represent the interests and ideas of the collectivity to which they belong. Guided by such an ontological view, scholars categorize historical figures into different groups. The same person might be labeled as representing different groups, however. For example, the political and economic thoughts of the New Policy formulators can be labeled as representing the demands of small landlord, the State, professional elites, scholar-officials, or a faction within the scholar-official group. Scholars may challenge each other easily because they can find evidence to buttress their own points or challenge those of others, but none of these interpretations are complete.

Scholars normally trace the origin of the state-as-actor view to early modern European political theorists such as Machiavelli, Thomas Hobbes and the political philosophers who forged the theories on the "reason of the state."[49] Political philosophers since the 16th century have portrayed the state as an entity "having its own rights and properties," as the single and supreme sovereign authority whose power remains distinct from the people, as well as the great "Leviathan," independent from the influences of any single individual or group in wielding its power over

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Making as Organized Crime," Peter Evans, Dietrich Rueschemeyer and Theda Skocpol, Bringing the State Back In (Cambridge: Cambridge University Press, 1985); Douglas North. 1986. "A Neoclassical Theory of the State," in Jon Elster, ed. Rational Choice (New York University Press, 1986); Barbara Geddes, Politicians Dilemma (University of California Press, 1994); Robert H. Bates, When Things Fall Apart: State Failure in Late-Century Africa (Cambridge University Press, 2008); Gourevitch, Peter, Politics in Hard Times: Comparative Responses to International Economic Crises (Ithaca, NY: Cornell University Press 1986)

[49] Richard Tuck, Philosophy and Government 1572-1651 (Cambridge University Press, 1993).

society.[50] The knowledge of the means of preserving and enlarging the state has also emerged as an independent field among political thinkers and statesmen after the sixteenth century.[51] This early modern political theory simultaneously contained two different perspectives on the State, however. I take Hobbes as an example to illustrate this point.

The Leviathan in Hobbes' view has an autonomous character that can be seen in its autonomous power to govern citizens. The citizens should abandon their belief, interest and passion to follow the rule of the State. As to this point, we may say that Hobbes viewed the state as the actor.[52]

On the other hand, Hobbes has an entire scheme to incorporate people's concern for self-protection by offering them the inalienable right of electing the leader of their sovereignty. The citizens also should have unanimous commitment to be bound by the results of the electoral process, and maintain obedience to the law and the representative institution. In such a view, the sovereign power remains with people. That power can only be exercised by a ruler with a limited term, such as a monarch. In the real process of governing, the ruler should fulfill his duty to take seriously the task of ensuring for his citizen the necessities of life.[53]

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[50] Hobbes T. Leviathan ,(Cambridge: Cambridge University Press, 1996)

[51] Maurizion Viroli, From Politics to Reason of State: The Acquisition and Transformation of the Language of Politics,1250-1600. (Cambridge: Cambridge University Press, 1992), 3

[52] For discussion on how the concept of state changed over time, see Quentin Skinner, " The State," in Terence Ball et al ed., Political Innovation and Conceptual Change, (Cambridge: Cambridge University Press, 1989), 90-131

[53] For a good interpretation of Hobbes's theory, see Richard Tuck, " Introduction," in Leviathan,(Cambridge: Cambridge University Press, 1996)

Hobbes therefore focused on how to organize the citizenry by building mechanisms to guarantee their rights and concerns. This could refer to representative institutions, elections, and frequent communication between ruler and citizen in the routine governing process. In Hobbes' theory, the autonomy of the State was not an unconditional existence. Rather it was the outcome of mechanisms that organized people to form collective goals for the sovereignty. The emergence of the State as an autonomous actor therefore was preconditioned by the successful operation of the mechanisms that guaranteed the rights of policy participants and thus shaped their collective action in accordance with policy. In other words, Hobbes' focus was on how to organize people into the unified authoritative State's action, rather than assuming the preexistence of the unified State.

Theda Skocpol is commonly taken to be one of the modern founders of the state-as-actor approach. A close reading of her works shows that she held different ways of understanding the State. In some work, Skocpol equates the monarchy with the State.[54] The great challenge confronted by this approach is that in reality, individuals are involved in multiple networks and organizations. Since the State is not the only organization in which people are involved, it cannot isolate its bureaucrats from the influences of other social networks. No action can be shown to serve only the interests of the State. At the same time, networks also endow their members with multiple social statuses. For example, the French seigneur and Chinese gentry held

[54] Skocpol Theda, States and Social Revolutions (Cambridge: Cambridge University Press 1979)

both the statuses of officials and of social elites.[55] Because in these cases the boundary between "state" and "society" was ambiguous, it is therefore difficult to find a permanent autonomous realm of the State that can be simplified as a personalized "actor" that dominated, competed and negotiated with other "social" forces.[56]

In other works, Skocpol gives up the assumption that officials always act in such a collective manner. State autonomy can come and go; it is not a permanent phenomenon. She suggests that scholars further explore how the coherent collectivities of officials are constructed through multiple measures such as educating elites and building governmental institutions.[57] Following this approach, scholars' attention should be shifted onto the mechanisms that organize officials into a collectivity. They should not simply take the State as a passive symbol and entity that only exists in the public imagination and discourse, and can be freely manipulated by different political and social forces. [58]

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[55] Skocpol Theda States and Social Revolutions: A Comparative Analysis of France, Russia and China. (Cambridge: Cambridge University Press, 1979)

[56] Timothy Mitchell, "Limits of the State: Beyond Statist Approach and Their Critics" The American Political Science Review 85:1 1991 P88

[57] Theda Skocpol, "Bringing the State Back In: Current Research"P16

[58] Timothy Mitchell, "Limits of the State: Beyond Statist Approach and Their Critics" The American Political Science Review 85 no.1 (1991). For the use of this approach in Chinese studies, see Robert Hymes and Conrad Schirokauer ed., Ordering the World: Approaches to State and Society in Sung Dynasty Cina. (California University Press, 1993). Peter Bol, This Culture of Ours: Intellectual Transition in Tang and Song China,(Stanford: Stanford University Press, 1992). Peter Bol Neo-Confucianism in History, (Cambridge: Harvard University Press, 2008), 133-152; Szonyi, Michael. Practicing Kinship: Lineage and Descent in Late Imperial China. (Stanford: Stanford University Press, 2002). Schneewind, Sarah. Community schools and the state in Ming China. (Stanford, CA: Stanford University Press, 2006); Thornton Patricia, Disciplining the State: Virtue, Violence and State-making in Modern China, (Harvard Asian Center 2007)

The most influential scholar who had developed this perspective is Michael Mann. Mann argues that all the previous theories on state-building can be understood as the products of the two approaches: the "institutional statism" approach and the "elitism" approach.[59] The later approach includes both the passive-state perspective and the state-as-actor perspective, because both take the power process to be the interaction between actors who compete for despotic power over others. According to Mann, the former approach can be distinguished from the later because of its fundamentally different explanation of the power process. As the name itself suggests, this approach takes institutions as the central analytical unit for explaining the power process. The functioning of the State cannot be exercised directly through political and social actors; neither can it simply be the exercise of those actors. Rather, the State's policies are made and implemented through mechanisms within which these actors are organized by either political or social leaders. In Mann's thought, the power of the State can be generated by those mechanisms because those mechanisms coordinate and structure social life in ways that can be admitted by all political and social actors. He therefore focuses on the mechanisms through which resources are mobilized in accordance with state policies, instead of assuming that any social group can monopolize the power of resource mobilization. No single group can control social resources; rather, it is these mechanisms—for example, the organizational structures that different social groups collectively construct and the process by which the different organizations collectively contribute to policy implementation—that can explain why

[59] Michael Mann, " A Theory of the Modern State" in Mann Michael The Sources of Social Power volume 2 The Rise of Classics and Nation-States, 1760-1914 (Cambridge: Cambridge University Press) ,53

and how social resources are mobilized in accordance with policies and, consequently, how these mechanisms generate and maintain the infrastructural power of the State.

This sort of power Mann calls "infrastructural power," as opposed to "despotic power" which is exercised directly by autonomous actors in the state (such as bureaucrats, state agencies and political leaders) without relying on any institutions that can organize the interests of state and social actors. As Mann states, "Power of the modern state principally concerns not 'state elites' exercising power over society but a tightening state-society relation, caging social relations over national rather than the local-regional or transnational terrain, thus politicizing and geopoliticizing far more social life than had earlier states."[60] This approach therefore "constructed important analytic bridge between state-centered and society centered analyses by looking at the institutional arrangement that the structure relations between the two."[61]

Both Mann and Skocpol focus on the mechanisms that organize actors into the actions of the authoritative State. These mechanisms however have two aspects, which these authors do not clarify. They may refer to the mechanisms proposed by the political authorities, but the policy makers' promotion of those organizing mechanisms does not mean that such mechanisms would successfully organize actors in the real policy process. The rules made by the policy makers can be broken by the actors, melting away the organizing power of those mechanisms and creating

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[60] Michael Mann, " A Theory of the Modern State", 59-61

[61] Steinmo,Sven.et al., Structuring Politics: Historical Institutionalism in Comparative Analysis (Cambridge: Cambridge University Press 1992), 10

conditions under which societal and political actors contend or collude with each other to ensure the success of their own demands and interests. The allocation of resources to those actors is simply determined by their comparative advantage in such a process. Under such conditions, the State only passively reflects the interests and ideas of political and social actors.[62]

The state-building process of the New Policies period witnessed this process. The Policy makers established mechanisms to channel and facilitate the collective action of political and market actors. The organizing mechanisms in the economic field included:

1) Rules that ordered government agencies to cooperate with each other to regulate prices by adjusting supply and demand based on changing market needs.

2) Deliberative mechanisms that incorporated government and market actors to decide the price of goods.

3) The institution of state monopolies that organized the interests of producers, the government, and powerful market actors to provide protection for the majority of market actors while increasing overall social productivity.

4) A policy formation mechanism that incorporated and organized the political elites' opinions on economic policies based on their merits in addressing real policy problems.

The goal of the policy makers was to forge a coalition between social actors,

[62] The concepts " active place" ," place" and "actors" have been employed by Michael Mann in his discussion on the different perspective on state. Mann uses "institution" to describe the mechanism that I discuss. See Michael Mann, The Sources of Social Power v2 The Rise of Classics and Nation-States, 1760-1914 (Cambridge: Cambridge University Press 2012), 52-53

political elites and bureaucrats, making it the solid foundation for operating the organizing mechanisms through which the State's autonomously exercised its power. These mechanisms either quickly broke down, however, or progressively withered over time as those actors pursued their own interests in addressing market problems. The bureaucratic agencies manipulated prices to pursue profits, refused to cooperate with one another, competed for economic interests, and greatly damaged the market order. The bureaucrats in the state monopolies built coalitions with powerful merchants, while the political elites could not find consensus and turned to political purges based on factional alliances as their major conflict-resolution mechanism. How to explain such failure?

Explaining the Failure of Organizing Mechanisms: the Dissertation's Approach, Sample Arguments and Contribution to the Existing Literature

My inquiry into the interaction between ideas, institutions, the environment and the State's organizing power will explain what factors influenced the state's capacity to organize social and political actors. Our answer to this question lies in tracing the interactive dynamics between three key variables: 1) historical agents' beliefs (or political philosophy), 2) the gap between real policy problems and historical agents' perceptions of them, and 3) the institutions that their beliefs led them to create in response to these problems.

Below is my major argument. The New Policies makers established mechanisms in the economic field to organize social and political actors to coordinate their interests and increase their social productivity. Due to their different views,

interests and practical difficulties, some of those actors opposed the New Policies and broke rules to pursue their own interests. The policy makers used their political philosophy to explain such deviations and build institutions to resolve those problems. However, their philosophical views could neither explain the rationale of those actors nor resolve the actual problems. The institutions therefore aggravated the policy deviations, resulting in the collapse of the organizing mechanisms. Such collapse illustrates the failure of the State to organize social and political actors, and the decline of the State's organizing power. The limits of the New Policy makers' political thought in explaining practical problems led to the failure of their institutions to resolve those problems. Below I explain those variables by using some sample arguments from my dissertation.

"Belief" refers to the logical framework that guided historical agents to explain the problems they encountered, to identify their goals, and to choose practical measures to resolve those problems. In my dissertation, it refers to the viewpoints held by historical agents that systematically explained the fundamental ways in which the subjective and objective world operated. Guided by such explanations, they also designed a coherent vision of how to build an ideal political order under which all policy participants could overcome the psychological confusion brought by the uncertainty of external change, forging collective action to pursue the optimum method of resolving actual problems.

I take the "line of reasoning" as the unit for analyzing the beliefs of historical

agents. The line of reasoning is the logical framework that political philosophers employed to illustrate the validity of both their arguments and actions. In building the line of reasoning, these political philosophers addressed some theoretical puzzles. They integrated concepts such as human nature, moral principle, and self-interest into their lines of reasoning to articulate interrelations between those concepts, which determined how the world operated. Based on these lines of reasoning, they proposed schemes for resolving their puzzles. Any philosopher might have different interpretations of the same concept, and based on each interpretation they might build different lines of reasoning to illustrate different ways of building political order. They did not view those lines of reasoning as being in conflict; they might even merge them into the same utterance.

The drafters of the New Policies were deeply concerned with how to shape the collective action of the bureaucracy and improve its innovative capacity in dealing with changing market problems. The bureaucrats' collective action and innovation should be in accord with the intentions of the Emperor. As Chapter One will reveal, Wang Anshi had employed the concept of dao ("the Way") to build his lines of reasoning. Dao is the only correct way to deal with external changes, but it is not equivalent to and specific concrete measures. Different measures can all be correct because they follow the same dao. Measures can change depending on changes in the external situation, but the dao that those measures follow is consistent. Wang Anshi took the dao as the thought of the Sages that as recorded in the Classics. The Emperor held the authority to judge the correctness of government policies. The intention of

the Emperor therefore should be followed by all members in the formal policy-making procedure, because his intention derived from the Sages' thought and represented the dao.

Based on his interpretation of dao, Wang Anshi built two lines of reasoning to illustrate how to achieve his goals for shaping the collective action and innovative capacity of bureaucrats. On one hand, he argued that people's innate nature contained the internal faculty to apprehend the dao. Policy makers should first follow the Sages' conceptions of governance in making their policies. They should then employ multiple measures to make them apprehend the intention of the policy makers. Such intentions were in accordance with the Sages' conception. The Emperor should appoint bureaucrats who had apprehended his intention to be the leaders in the political system, delegating them the autonomy to make decisions.

On the other hand, Wang discussed situations in which bureaucrats could still be organized even if they had not apprehended the dao. According to him, if the ruler provided material incentives that were attractive enough for the bureaucrats, they would exhaust their talent to implement policy. Because those policies were crafted by people who apprehended the dao, the political system as a whole could follow the dao even if some of its members had not apprehended it. In this line of reasoning Wang Anshi assumed that it was within human nature to find the best measures to resolve problems if enough material incentives could be provided. The policy makers therefore needed only to consider how to build the material incentives to guide the bureaucrats' self-interests.

As my close readings of Wang Anshi's texts will demonstrate, he interwove these lines of reasoning into his political writings, such as the Myriad Words Memorial which he submitted to the Emperor to present his overall views on the political order. These lines of reasoning were also employed by the drafters of the New Policies in dealing with problems of governance. Following the classical approach of intellectual history, I focus on the key texts of these political philosophers, revealing the arguments they posed in various texts. I then use their other writings to recover the lines of reasoning that led them to make such arguments. These lines of reasoning constructed the intellectual worlds of those policy makers, and guided them to conceptualize, explain and change the external world.

Scholars in the field of intellectual history have continuously debated the proper method to interpret the meaning of utterances by historical agents. Scholars who adopt the "speech-act" theory take these utterances as performances of illocutionary action. The utterance is taken as the text through which those historians analyze the intention of the historical agents.[63] Other scholars, however, take belief as the "psychological state in which one holds a proposition true." According to these scholars, historical agents expressed their beliefs in utterances; historians can "extrapolate from the relics available to them to the beliefs people expressed at some time in the past." The belief therefore is "a psychological state that historians attribute to historical agents in an attempt to explain their behavior."[64]

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[63] Skinner,Quentin. " Meaning and Understanding in the History of Ideas" in History and Theory 8 no 1 (1969),3-53

[64] Bevir Mark, The Logic of the History of Ideas (Cambridge: Cambridge University Press).

The divergence between these two approaches lies in their views of the relationship between texts and the mentality of their authors. The former approach denies the possibility to find out the author's intention from the discovery of the text's hermeneutic meaning. Instead, it uses other materials to construct the historical context in which the author lived, including the author's personal relationship with his contemporaries, the contemporary meaning of terms that the author uses, and the readers that the author targeted. It holds that the meaning and intention of the author can only be discovered in such a context.

The latter approach however holds that it is possible to analyze the author's beliefs from close readings of the author's writings, given that the author expressed his viewpoint through the words that articulated what he thought to be true and argued why he believed so. Those utterances represented the true historical existence in the author's mentality and had real impact on the authors' social and political practices.[65]

The above two situations both exist in history and it is difficult to take one as the absolutely correct approach to apply to the textual analysis of all situations. The work of the historian is therefore to compare the utterances with the historical figure's actual behavior. Based on that comparison, the researcher can evaluate the degree to which the viewpoint influenced his actual conduct. For example, in his discussion on Bolingbroke's opposition to Walpole's Ministry, Quentin Skinner notes that Bolingbroke enthusiastically endorsed Whig beliefs in his own political writing and used Whig political thought to justify his opposition to the Whigs' military and

[65] Pocock,J.G Political Thought and History: Essays on Theory and Method (Cambridge: Cambridge University Press), 5-11

economic policies. The professed belief of Bolingbroke and his party in Skinner's argument only served their coup to oppose their Whig enemies.[66] In this case, the professed belief of Bolingbroke is apparently different from his actual behavior. Therefore Skinner's argument that the belief in this case cannot be taken as the guidance for the action of Bolingbroke is convincing because it can explain the phenomenon well.

My dissertation however illustrates a historical process different from Bolingbroke's case. In this process the New Policy makers followed their belief to respond to actual policy problems. My argument can be proved by the coherence between their vision of political order and the institutions they built to deal with changes. The policy makers adopted the following tools to resolve problems:

1) Educational and propaganda institutions that made policy implementers apprehend the principle of the New Policies and the intention of central leaders;

2) Power distribution mechanisms that both legitimized the Emperor's preference as the only goal for administration and admitted the bureaucrat's autonomy in dealing with actual problems,

3) The continual demonstration of trust between the Emperor and his officials in the administrative process;

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[66] Skinner,Quentin. "The Principles and Practice of Opposition: the Case of Bolingbroke versus Walpole," in Historical Perspective Studies in English Thought and Society. ed Nei Mckendrick (London: Europa Publications, 1974), 94-128. For a similar case, see Berman, Elizabeth Popp, and Nicholas Pagnucco. "Economic Ideas and the Political Process: Debating Tax Cuts in the U.S. House of Representatives,1962-1981." Politics and Society 38 (2010), 347-372.

4) Revenue and profit quotas that the policy makers allocated to local bureaucrats, reward and punishment institutions that motivated bureaucrats to achieve those quotas, and enough free space to allow bureaucrats to adjust policies;

5) A policy formation mechanism at the upper levels of government that was characterized by the construction of factional alliances, the clarification of irreconcilable attitudes between factions, and the purging of opposing factions from decision-making circles.

The drafters of the New Policies built the above institutions to resolve deviations from the planned outcomes of policy, but they were inadequate. For example, the local bureaucrats built coalitions with market actors because of their own lack of capital, knowledge or capability to deal with market changes. Even the drafters of the New Policies had only rectified the revenue quotas because they believed that the material incentive was the fundamental tool to make people exhaust their talent. They had a whole line of reasoning to illustrate why the measures they chose were reasonable.

As cases in this dissertation illustrate, the drafters of the New Policies insisted on using standardized measures to regulate economic problems regardless of the differences between situations, a fault of their rigid political beliefs. The case discussed in Chapter Four shows that they had no interest in finding new ways to organize bureaucrats after they had exhausted all the standard measures. Their ideology gave them great confidence that they could resolve any problems, but on the other hand, their firm belief also weakened their capacity to adjust their solutions to

handle real changes. They did not seek resolution by accumulating new knowledge on the economic system, but stuck to the same measures without considering how to make adjustments.

Moreover, under the guidance of such reasoning, the New Policies makers' purpose to achieve one measure often motivated them to reinforce another measure that was at cross-purposes.[67] For example, in order to gain the trust of the emperor, the managers of the state monopolies wanted to show him that they could achieve his stated goal of increase state revenue. At the same time, they convinced the emperor that their efforts to increase revenue would not damage small market actors, whose protection was another stated imperial concern. In practice, however, the monopoly managers kept on increasing their quotas for the purpose of increasing revenue, while giving local bureaucrats free reign to develop market strategies. They did this because their line of reasoning guided them to believe that the local bureaucrats had the innate faculty to find out the best way to achieve both goals if material incentives stimulated their enthusiasm . They used such a line of reasoning to convince the emperor because he shared this common belief with the monopoly managers.

The measures listed above were openly proclaimed by the central leaders; these procedures were known to anyone in government and did not belong to any informal

[67] For discussion on how the institutional designers' lines of reasoning caused the reinforcement of various political institutions in the regime for dealing with external changes, see Beer, Samuel. "Nationalism, and Democracy in America", The American Political Science Review, 72, No. 1 (1978), 9-21. Scholars like Peter Hall takes such institutions as the "complementary institutions" or " institutional complementary". See Hall, Peter and David Soskice. "An Introduction to Varieties of Capitalism'" in Varieties of Capitalism: The Institutional Foundations of Comparative Economic Advantage edited by Hall Peter and David Soskice. (Oxford: Oxford University Press, 2001), 1-68.

or secret political system[68]. As Chapter Three illustrates, the drafters of the New Policies fully considered the possible reaction of the "public" to the way they dealt with critics at the court. They expelled critics from the policy-making circles because they believed that such a measure would show the leaders' determination to carry out the New Policies, leading others to then comply with the policies. Meanwhile, the critics also publicized their factional identity and adopted collective action, resigning from their official positions even in cases where they had good private relationships with the drafters of the New Policies and agreed with some parts of the new regulations. They did this because of their goal to gain support from the literati and officials. The Emperor and the drafters of the New Policies had the clear sense to make a distinction between informal deliberations and public procedure. Chapter Three shows that the Emperor allowed Sima Guang to criticize the New Policies in personal conversations, but once he realized that Sima Guang's critiques had been publicized, the Emperor changed his attitude and followed the formal procedure to purge Sima Guang from the court. After 1071, the exclusion of the opposing faction was utilized by both sides as a formal and public procedure for resolving conflict.

The historical process therefore witnessed the reinforcement of the same procedures used in addressing economic problems. The policy makers institutionalized those measures and proclaimed them as formal procedure in front of

[68] For a similar discussion on the difference between the informal and formal discouses among political elites in PRC China, see Qiu Jin, The Culture of Power: the Lin Biao Incident and Cultural Revolution, (Standford: Standford University Press, 1999)

the entire bureaucracy[69]. I take institutions to be the outcome of the interactive dynamics between ideas and context. In responding to real deviations in the process of moving policy forward, the beliefs of these historical agents guided them to reproduce the same behaviors while excluding the possibility of choosing alterative measures. As Bolingbroke's case indicates, this process of institutionalization would not occur if the policy makers had flexibly adjusted their response. The New Policies case illustrates another extreme, however, because the policy makers had a systematic and rigid political philosophy and refused to reconcile with real circumstances. This is different from cases in which policy makers gradually changed or radically replaced their philosophy after they found that a certain amount of policy feedback was hard to explain by their theory.[70]

State intervention during the New Policies period shows the coexistence of two parallel processes. On the one hand, the policy makers repeatedly reinforced their institutions to maintain the mechanisms that they established for organizing market actors. On the other hand, the behaviors of local bureaucrats deviated from what the

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[69] The process of shaping the formal role of prince and president in the formal procedure is the concern for scholars on the formation of executive power in Europe and America. The process of taming the prince not mainly refers to constraining the power of monarch by different agencies, but to formalizing the prince's (or the president's) role that is open to the public audience. For relevant discussion, see Mansfield, Harvey. Taming the Prince: the Ambivalence of Modern Executive Power. (New York: the Free Press, 1989); Ackerman Bruce. The Failure of the Founding Fathers: Jefferson, Marshall and the Rise of Presidential Democracy. (Harvard: Harvard University Press, 2007)

[70] See Mehta,Jal. " The Varied Roles of Ideas in Politics: from Whether to How," in Ideas and Politics n Social Science ed.Daniel Beland and Robert Henry Cox, (Oxford: Oxford University Press 2011), 42; Hall,Peter "Policy Paradigms, Social Learning and the State: The Case of Economic Policymaking in Britain," Comparative Politics, 25 no3 (1993), 275-96; For discussion on Hall's article, see Blyth, Mark "Paradigms and Paradox: The Politics of Economic Ideas in Two Moments of Crisis," Governance 26 no2 (2013)197-215; Berman,Sheri "Ideational Theorizing in the Social Sciences since "Policy Paradigms, Social Learning, and the State" Governance 26 no2 (2013), 217-37

policy makers had expected. The policy makers expected that the bureaucrats would find the best way to resolve market problems and adequately fulfill their roles in the state's monopolies if given free reign to make decisions. In practice, however, the bureaucrats lacked sufficient capital to operate the state monopolies. They had no way to expand the tea and salt markets. The quotas gave them great fiscal pressure. They lacked the capacity to simultaneously achieve their quotas and protect the interests of small producers. Moreover, the managers' apprehension of the Emperor's intention to increase revenue would lead them to overlook the goal of social protection. Although the drafters of the New Policies assumed that the two goals did not conflict, in practice the focus on one goal resulted in destroying the other. The overemphasis on revenue motivated managers to impose great pressure on the local bureaucrats. Because of their optimism about the omnipotence of people's innate faculties, they easily shirked the responsibility to their subordinate bureaucrats. The only choice those bureaucrats could make was to disregard the interests of small producers, turning to cooperate with the powerful merchants.

The gap between belief and practice can be discovered by comparing the real policy problems that the historical materials illustrate and the policy makers' perception of those problems as depicted in their political writings. The extant primary sources provide rich materials illustrating the communicative process between the local bureaucrats and the central leaders. The documents preserved in The Long Draft of a Continuation of the Comprehensive Mirror to Aid in Government (續資治通鑒長編) and the Draft Recovered Edition of the Essential Documents and

Regulations of the Song (宋會要輯稿) include the memorials that the local officials and managers submitted to the central policy makers, and the edicts that the court issued in response. These documents show the bias of policy makers in picking up on problems reported from below. Meanwhile, they reflect the real difficulties that plagued local bureaucrats. These materials include later critiques of the New Policies issued after the death of Emperor Shenzong. Those critiques describe how local bureaucrats came to ignore the regulations due to their inability to resolve the relevant problems. Based on all these sources, this dissertation reveals how the gap between the policy makers' viewpoint and the actual problems of governance prevented the regulative institutions from arresting the decline of the state's organizing power.

Organizing capacity refers to the State's capacity to incorporate and organize the interests and ideas of social and political actors into its authoritative action. Under a government with a high organizing capacity, social and political actors have a strong commitment to the authority of the organizing mechanisms, and allow policy makers to organize their interests and ideas through rules. A low organizing capacity means that the policy makers fail to organize those actors. In such a situation, those actors frequently pursue their own interests by breaking the rules set by those organizing mechanisms. Earlier I have listed the four "organizing mechanisms" that policy makers established in the economic field. In the case of state monopolies, the "organizing mechanisms" refer to institutions that organized the interests of producers, the government and powerful market actors with the goal of protecting the majority of

market actors and increasing overall social productivity. When the bureaucrats broke away from these mechanisms and pursued their own interests by building alliances with the powerful market actors the organizing mechanisms stopped operating. This illustrates the state's weak organizing capacity.

My explanation of this process will enrich the scholarship addressing a fundamental question that scholars in various disciplines have explored: How can we explain the relationship between state's organizing capacity and the particular institutions that emerged in the process of the policy makers' organization of social and political actors?

My approach in answering this question differs from functionalist approach that "attempts to specify the functions a polity had to perform in order to be effective and the institutions that performed such functions."[71] Scholars following this approach first define the ideal features of the institution, holding that only when the institution possesses such ideal features can it strengthen the state's organizing capacity. They further compare the differences between the ideal institution and its characteristics as actually established by historical agents, with the degree of variance between them explaining the state's weak organizing capacity.

The most influential sociologist who applied this ontology to research on the relationship between institutions and the state's organizing capacity is Max Weber.

[71] Peter Hall " Aligning Ontology and Methodology," 378

The central question that Weber asked in his discussion of domination is how the manifested will (command) of the ruler or rulers influences the conduct of one or more others (the ruled), and why that command can be obeyed by the ruled.[72] In order to answer this question, he focused on the "ultimate grounds of the validity of a domination" that existed in the relations between the rulers, the ruling apparatus, and the ruled. In his mind, the validity of domination lies in the authority of the ruling body, such as the state, and that authority is determined by the institutions that structure the relationship between social and political actors.

Weber defined three ideal-types of domination that had different institutional features, which also determined the state's various organizing capacities. These types include "rational authority", "traditional authority" and "charismatic authority." I will use Weber's comparative study of rational authority and traditional authority as examples to show his ontology in explaining state's organizing capacities.

According to Weber, the institutions that have rational authority possess the following features:

> The validity of a power of command may be expressed, first, in a system of consciously made rational rules (which may be either agreed upon or imposed from above), which meet with obedience as generally biding norms whenever such obedience is claimed by him whom the rule designates. In that case, every single bearer of power of command is legitimated by that system of rational norms, and his power is legitimate insofar as it corresponds with the norm. Obedience is thus given to the norm rather than to the person.[73]

Institutions that have traditional authority show different features:

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[72] Max Weber, Economy and Society, 946.

[73] Max Weber, Economy and Society, 954

> The validity of a power of command can also rest, however, upon personal authority. Such personal authority can, in turn, be founded upon the sacredness of tradition, i.e., of that which is customary and has always been so and prescribes obedience to some particular person.[74]

In Weber's mind the state's capacity in organizing social and political actors will be strengthened by institutions that are built upon common rationality. The rulers and the ruled have commitment to the rational rule of such institutions and take that as the only standard for guiding their behavior. The ruled take the ruler's domination as legitimate, and follow the ruler's commands because they believe him to be following rational rules. Such institutions include the bureaucratic agency of the state, bureaucratic enterprise in private economy,[75] the procedures of policy making,[76] the administrative process of bureaucracy,[77] the legal system,[78] and party and democratic institutions.[79]

In contrast to rational institutions, Weber thought that institutions that had traditional authority lacked stability in their organizing of social and political actors. These institutions were based upon the personal will of the ruler and traditional rules that had existed from past eras. The personal loyalty of the subordinates to the ruler

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[74] Max Weber, Economy and Society, 954

[75] Max Weber, Economy and Society, 956

[76] Max Weber, Economy and Society, 958-59

[77] Max Weber, Economy and Society, 969

[78] Max Weber, Economy and Society, 976

[79] Max Weber, Economy and Society, 983

and to tradition guaranteed that the institution could organize members within the patrimonial unit. Those institutions could not, however, organize members of other patrimonial units because of their loyalty to different rulers and tradition.[80] Weber thus interpreted the patrimonial political power as "a bundle of powers separately appropriated by various individuals by virtue of special privileges." It is, therefore, difficult for the ruler of a patrimonial state to alter the traditional rules that each subordinate unit follows. Due to the lack of shared rationality, the power structure within the patrimonial order is fragmented, rigid, inadaptable to new circumstances and not amenable to abstract regulations.[81] The ruler of the state could not organize other social units due to the limitations of such institutions. The policy process therefore only reflected the competition between various patrimonial actors.

Weber took the true acceptance of rational rules by their members as the fundamental characteristic of the institutions that can shape the strong organizing capacity of the state. Based on this standard, he first categorized different countries into types. He then discussed how the institutions in those countries resembled or deviated from the ideal type institutions. He drew the conclusion that the state's organizing capacity was strong if the rulers ruled through rational institutions and weak if the rulers only had patrimonial institutions through which to rule. This approach had deep roots in Weber's interpretation of social action and his overall

[80] Max Weber, Economy and Society, 1006

[81] Max Weber, Economy and Society, 1040

methodological design of the "explanatory sociology".[82]

Under such a view, the relationship between the feature of an institution and the state's organizing capacity is direct. Scholars who follow this approach first abstract the characteristics of the institution and then compare those characteristics with the ideal-type institutional features. They assume a causal relationship between the ideal-type and the state's organizing capacity. The only work they need to do, therefore, is to categorize institutions into different types and then draw conclusions about their effects on state capacities.

Scholars like Samuel Huntington determined that institutions with high adaptability, complexity, autonomy and coherence would increase the state's capacity of organizing people to promote political stability.[83] Fukuyama enlarged Huntington's standard and defined the following ideal-type institutional features: impersonal, with clear boundaries between private and public, strong consensus between state and social forces that were bound by the law, and the government's high responsiveness to social requests.[84] Scholars such as Michael Mann have held that an institution that can coordinate social life would strengthen the state's organizing capacity, which in his terminology is called the state's "infrastructural power".[85] Philip Gorski argued

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[82] Max Weber, Economy and Society, 4-28

[83] Huntington Samuel, Political Order in Changing Societies, (New Haven Yale Press,1968) ,12.

[84] Fukuyama,Francis. Political Order and Political Decay: From Industrial Revolution to the Globalization of Democracy. (Farrar. Straus and Giroux, 2014),23-25; Also see Fukuyama Francis, State-building: Governance and World Order in the 21st Century, (Cornell: Cornell University Press,2004)

[85] Mann, The Sources of Social Power, 59

that disciplinary institutions that have strong uniformity between their members would increase the state's infrastructural power.[86] Scholars such as Desmond King and Robert Lieberman have further applied Mann's standard to their studies of American state-building, and argued that the American state has strong organizing power because of the widely existing institutions that coordinate the states with social forces.[87] The New Tocqueville scholars such as Robert Putman, in his comparison between Northern and Southern Italian state's capacities, hold that the institutions organized based on the civic values are more effective in increasing the state's organizing capacity than those that are organized based on patron-client relationships.[88] Other scholars such as Theda Skocpol argues that the state would have a strong organizing capacity not because of the civic features of the local civil organizations, but because of close coordination between government and those social organizations. [89]

Despite their divergent interpretations of the ideal-type features and their multiple research methods, these scholars do not go beyond the basic approach that Weber created. In this study, I reject the direct causality between the defined features

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[86] Gorski, Philip, The Disciplinary Revolution: Calvinism and the Rise of the State in Early Modern Europe, (Chicago: the University of Chicago Press, 1993), 36

87King, Desmond and Lieberman, Robert "Ironies of State Building: A Comparative Perspective on the American State." World Politics 61, No. 3 (2009): 547-588.

[88] Putnam, Robert. Making Democracy Work: Civic Traditions in Modern Italy (Princeton University Press, 1993), 63-120

[89] Skocpol, Theda et al. "A Nation of Organizers: the Institutional Origins of Civic Voluntarism in the United States," American Political Science Review 94 no3 (2000), 527-546

of an institution and its impact on the state's organizing capacity. I argue that current scholars' efforts to define the static features of an institution face the danger of missing the multiple dimensions of that institution which do not match the defined features. They also ignore the protracted process in which the components of that institution emerge asynchronically due to the continual interaction between historical agents and their changing environment.[90] Their approaches cannot explain why some choices in response to that environment become institutionalized while many other choices disappear. The institutions that have emerged in history have been far more complicated than these scholars have defined.

Moreover, these scholars ignore the conflicts between the initiators of the institutions and the responses of other members. The "parchment institution" –codified rules of political contestation-- that emerged in the discourse of its creators cannot cover the various responses of other people.[91] Scholars with a functionalist perspective tend to discover the institutional features from the discourse of the creators, overlooking the consequences that were brought about by the implementation of those rules.[92]

For example, in his study of the disciplinary institutions created by the Calvinists, Gorski finds that those institutions had regulations for disciplining

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[90] Daniel Ziblatt and Giovanni Capoccia, "The Historical Turn in Democratization Studies: A New Research Agenda for Europe and Beyond" ,940

[91] For a similar discussion, see Pierson, Paul. Politics in Time, (Princeton: Princeton University Press, 2014), 104

[92] For a similar approach, See Hall Peter and Lamont, Michele " Introduction: Social Resilience in the Neoliberal Era," in Social Resilience in the Neoliberal Era ed.Peter Hall and Michele Lamont, (Cambridge: Cambridge University Press),1-23

people's minds. Based on that finding, he argues that those institutions possessed the feature of "uniformity." Because institutions with this feature are believed to naturally increase the state's power, Calvinist disciplinary institutions therefore increased the state's capacity to organize people.[93] Gorski does not illustrate, however, why those disciplinary regulations represented the "uniformity" of that institution. The regulations could only represent the viewpoint of their designers. The different rationales of other people, however, would shape their various responses to the regulations, and could possibly damage the uniformity of the institution. As my dissertation illustrates, the drafters of the New Policies also designed institutions for disciplining the mentality of policy participants. Such regulations could not shape the collective action of the bureaucrats, however. It is therefore not reasonable to simply label any regulation as an illustration of organizational uniformity unless we have thoroughly examined its consequences.

Finally, despite their research employing great amounts of data and sophisticated quantitative and qualitative methods, scholars cannot avoid the preexisting assumption of the causality between the constructed feature of the institution and the state's organizing capacities. The results of such research repeat the classical political theories that explain the same questions, such as Weber's theory of rational authority, Tocqueville on civic culture, Hobbes on citizenship, John Mill on representation and responsiveness. This problem constrains their capacity to go

[93] Philip Gorski, The Disciplinary Revolution: Calvinism and the Rise of the State in Early Modern Europe,34-35

beyond the influence of those theorists to generate new theories.[94]

If we redirect our focus toward the historical process in which institutions emerged, developed, were reinforced, and collapsed, our approach for explaining the relationship between institutions and the state's organizing capacity will also greatly change. We will extend the scope of our investigation into the formative mechanisms of institutions, and deeply inquire into the interactive dynamics between ideas, context, institutions and the state's organizing capacity. Based on such inquiries, I argue that the rise and decline of the state's organizing capacity can only be explained by the interaction between the policy makers' worldview and their environment. The scholarly constructed feature of the institution cannot be taken as the independent variable for explaining that capacity, because the institution itself is the outcome of a process in which the policy makers have used their fixed idea to explain and resolve policy deviations in a changing environment.

Our interpretation of the relationship between institutions, ideas and the state's capacity differs from that of scholars who adopt the approach of functionalism. For example, in his tracing of the intellectual foundations of disciplinary institutions

[94] For the most insightful criticiques of modern political scientific apporach which reenlightened the sigfinifance of Plato's tradition of politcal philosophy, see in Strauss, Leo: "Plato" in History of Political Philosophy, edited by Leo Strauss and Joseph Cropsey, 3rd ed. (Chicago: University of Chicago Press, 1987), and Mansfield, Harvey. A Student's Guide to Political Philosophy. (Wilmington.DE: ISI books, 2001). Huntington has noted the connection between comparative political scientists and Classical political theories. See Samuel Huntington "Order and Conflict in Global Perspective," in Passion, Craft and Method in Comparative Politic E Munck et al, ed.(John Hopkins University Press, 2008). Also see Gerardo Munck, "The Past and Present of Comparative Politics" in Passion, Craft and Method in Comparative Politic.. For a current example that followed such way of thinking, see Tsai, Lily Accountability without Democracy: Solidary Groups and Public Goods Provision in Rural China (Cambridge: Cambridge University Press, 2007).

Philip Gorski argues that Calvin's thought on "justification" led believers to establish institutions such as bible reading programs and community institutions.[95] Gorski takes institutions to be the materialization of the philosopher's political thought. The institutional design in the thinker's philosophy and real institution contain coherent features which also resemble the Gorski's definition of the ideal-type institution.

In my view however, the real interactive dynamics between ideas, institutions, and context will show that the formulator's philosophy can never fully explain the reality; the institution can never achieve its purpose; the real actions of the policy participants can never match the philosopher's prediction. I agree with Beland and Cox when they argue, "What things change and how they change are all the result of what people choose to do in response to the world in which they find themselves." Our focus is on "how people interact with the world and with one another."[96]

This dissertation focuses on how the policy makers interpreted reality by following their beliefs, and how their views concealed the actual problems. Institutions were created because policy makers predicted ways in which they would shape other people's ways of thinking. The institution was exogenous to those receivers, however, and they responded to its imperatives by following their own rationale. As Thelen and Streek have stated, "the enactment of a social rule is never perfect and that there always is a gap between the ideal pattern of a rule and the real

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[95] Philip Gorski, The Disciplinary Revolution: Calvinism and the Rise of the State in Early Modern Europe, 19-23

[96] Daniel Beland and Robert Henry Cox, " Introduction: Ideas and Politics," in Ideas and Politics n Social Science, ed. Beland Daniel and Robert Henry Cox (Oxford: Oxford University Press 2011), 12

pattern of life under it." Therefore "even the honest application in good will of a rule to empirical conditions may cause unanticipated results."[97] The reason for the decline of state capacity can only be discovered in the complicated mechanisms by which the unexpected responses of social and political actors varied beyond the predictions of the institution's creators. Scholars should explain these reasons by exploring the gaps between philosophy, institution and reality, rather than assuming coherent features and causal relationships between those features and the state's organizing capacity.

My research illustrates that policy makers did positively engage in resolving policy deviations. The reason for failure was not inaction, but the unexpected responses of other policy participants. By illuminating the gap between expectations and unexpected consequences, I explain why these policy makers failed to maintain the mechanisms that organized people in the economic field. My research focuses on a time period that starts when the policy makers had just begun to receive feedback and complaints from policy participants, and ends with the time when policy makers had finished building the institutions to resolve these problems. The interactive dynamics between idea and environment in my research occur within this context.

Scholars like James Scott have explored reasons for the failure of state efforts to organize people in economic affairs. Scott attributes such failure to the leader's

[97]Thelen, Kathleen and Streeck Wolfgang, eds. Beyond Continuity: Institutional Change in Advanced Industrial Economies (Cambridge University Press, 2005), 14-15. For methodogical discussion on this issue, see Schmidt Vivien an Claudio Radaelli, "Policy Change and Discourse in Europe: Conceptual and Methodological Issues," West European Politics,27 no2, 183-210. For a good discussion on the methodology of ideational institutionalism, see Berman,Sheri .The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe (Mass: Harvard University Press, 1998), 14-38

ignorance of the essential features of any real functioning social order. In his explanation, the schematic designs made by authoritarian leaders to shape modern society are isolated from real social needs, and therefore doomed to fail because they cannot penetrate into real social infrastructures.[98] Such a view is echoed by scholars who explain the sustainability of the Chinese authoritarian regime. Such scholars believe that over the course of the Chinese Communist Party's history, the central leaders progressively adopted a passive role as compared to the "guerrilla policy style" of local bureaucrats who actively innovated their policies to deal with change.[99] However, these scholars do not explain the intellectual origins or the consequences of the efforts that the central leaders consistently took in responding to problems that were caused by the autonomous activities of social and political actors. As my dissertation will illustrate, the policy makers gave more autonomy to the local bureaucrats not because they had ignored the regulation. To the contrary, the decentralization of the decision-making power served the central leaders' purpose to shape the collective action of the bureaucratic system, while their political philosophy guided the choices they made. Under the New Policies, it was believed, bureaucrats would themselves find out the best ways to deal with market problems if provided with sufficient material incentives. Therefore policy makers only adjusted the material incentives while giving local bureaucrats more autonomy to deal with changes on the

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[98] Scott, JamesSeeing like a State: How Certain Schemes to Improve the Human Condition Have Failed, (New Heaven: Yale University Press, 2002), 1-8

[99] Perry, Elizabeth and Sebastian Heilmann ed. Mao's Invisible Hand: the Political Foundations of Adaptive Governance in China (Harvard University Asian Center, 2011); Also see Liberthal, Kenneth and Michel Oksenberg, Policy-making in China, Leaders, Structures and Processes (Princeton: Princeton University Press 1984)

ground.[100] By exploring such instances, this study will enrich current scholarship on the patterns of authoritarian rule.

In explaining how the interaction between idea and context shapes the state's organizing capacity, I pay great attention to the beliefs not only of the drafters of the New Policies but also their critics. My thick description of their beliefs will reveal the complicated lines of reasoning that guided these historical agents' actions and their perception of practical problems. Scholars such as Dan Slater have focused on how the interaction between people's psychological situation and their historical context determines the sustainability of the state's efforts to organize both elites and masses. Influenced by theories of Thomas Hobbes and the early modern European Skepticism, Slater argues that the elite's collective decisions to build and deconstruct the state's organizing power are determined by the motivation of self-protection. Their perception of danger will determine their attitudes toward the organizing power of the authoritarian leaders.[101] Such an explanation assumes that historical agents will attain collective action if they share the same perception of problems. The reason for achieving such collective action lies in their shared rationality of self-protection. My study will show that the mentality of policy makers is actually far more complicated than this theory of self-protection depicts. Moreover, the historical agent's perception

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[100] Fran Schurmann in his influential work also discusses how the conflict between Mao Zedong's ideology and bureaucratic autonomy caused the Great Leap Forward movement. See Schurmann,Franz. Ideology and Organization in Communist China, (Berkeley and Los Angeles: California University Press, 1966).

[101] Slater, Dan. Ordering Power: Contentious Politics and Authoritarian Leviathans in Southeast Asia (Cambridge: Cambridge University Press), 18-20

of reality is the outcome of complicated lines of reasoning. It is therefore necessary to conduct a deep inquiry into their actual viewpoints rather than simply assuming a unified self-protection motivation.[102]

Other scholars have noted how policy paradigms guide the historical agent's perception of interests and the way policies are developed.[103] The ideational approach prevails because current scholars have noticed the limits of the previous approach that explained human behavior only by looking at rational interests.[104] These scholars mainly focus on how the economic ideas in modern society, such as Liberalism and Keynesianism, shape the ways in which policy makers resolve actual economic problems.[105] Despite their different contents, these policy paradigms are the products of modern European and American economic thoughts. As I will discuss in the first chapter, the foundation of these ideas is different from the economic thought of the drafters of the New Policies. The former explained economic policy deviation by

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[102] For a critique of this approach, see Paul Pierson, Politics in Time,105-131

[103] Sheri Berman, The Social Democratic Movement, 29-30.

[104] The discussion on how the self-interests are perceived in the social context can be traced back to the political theorists such as Adam Smith and Rousseau. For a discussion on this issue, see Force, Pierre.Self-interest Before Adam Smith: A Genealogy of Economic Science. (Cambridge: Cambridge University Press, 2003), 7-48. For contemporary scholarship on this issue, see Peter A. Hall and Rosemary Taylor, "Political Science and the Three New Institutionalisms," Political Studies, 12 (1996),936-57; Pierson, Paul and Theda Skocpol, "Historical Institutionalism in Contemporary Political Science," in. Political Science: State of the Discipline ed.Ira Katznelson and Helen V. Milner (New York: W.W. Norton, 2002), 693-721. Barry Weingast, "Rational-Choice Institutionalism." inPolitical Science: State of the Discipline ed.Ira Katznelson and Helen V. Milner (New York W.W. Norton, 2002), 660-692; Schmidt, Vivien " Reconciling Ideas and Institutions through Discursive Institutionalism," in Ideas and Politics n Social Science ed. Beland, Daniel and Robert Henry Cox,, (Oxford: Oxford University Press 2011), 47; Paul Pierson, Politics in Time,105-31

105 For example see Hall, Peter ed, The Political Power of Economic Ideas: Keynesianism across Nations (Princeton University Press, 1989); Blyth, Mark. Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century (Cambridge: Cambridge University Press, 2002)

analyzing the interaction between objective factors within the economic system, while the latter took policy deviations to be the outcome of the mental state of the policy participants. My study therefore would enable future comparative studies of how different philosophical foundations lead to different ways in which policy makers explain practical problems, and how those different explanations result in different organizing capacities for various states.

My approach focuses on how the views of policy makers held back policy revision in the face of actual problems. A similar issue has also been noted by Jacob Hacker in his explanation of the changes in American welfare policies. He illustrates how ideological views led conservatives in the national representative institutions to create a gap between existing welfare polices and the new social and economic transitions that took place after World War Two. According to Hacker, their measures privatized financial risks, making market actors serve as the main providers of social welfare and thus weakening the state's capacity to organize market actors and common citizens to renovate national welfare policies.[106] This mechanism shows how the gap between policy revision and the reality was intentionally manipulated by policy makers in a modern democratic country. My study of the New Policies is comparable with Hacker's case in that it shows that how a similar gap emerged, weakening the state's organizing capacity in a different political system.

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106 Hacker, Jacob The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States. (Cambridge University Press, 2002); Hacker, Jacob and Pierson, Paul.Winner-Take-All Politics: How Washington Made the Rich Richer--and Turned Its Back on the Middle Class. (Simon & Schuster 2010)

James Madison posed a fundamental question of significance not only for the American founding fathers but for all state-builders: How to control both the ruled and the bureaucrats? Or, to put this question in another way: How to strengthen the state's capacity to organize these social and political actors? This question has puzzled scholars and state-builders for decades. The New Policies case in Chinese history has attracted the attention of modern state-builders precisely because they found that a similar puzzle had emerged in the historical process of eleventh century China. As this dissertation will show, the historical experience of state-building during the New Policies period demonstrates the deep roots of state power in the intellectual traditions that shaped how people thought and behaved. How to build comparative methodologies that incorporate those new factors, and how to generate theories based on these methodologies, are questions that will guide my future research.

Outline of Chapters

This dissertation is divided thematically and chronologically into three parts. Part One, comprising Chapter One, examines the political philosophy of Wang Anshi (1021-1086), the leading figure and chief architect of the New Policies. I focus on how he proved his scheme for shaping the collective action and adaptive governance of policy participants. These lines of reasoning guided him to explain deviations encountered in the implementation of economic policies as the results of the

bureaucrats' incorrect thinking. The drafters of the New Policies therefore built an institutional environment designed to discipline people's mentality. The institutions they designed included educational procedures that guided the bureaucrats to apprehend the dao, material incentives that stimulated the bureaucrats' enthusiasm to exhaust their talent in pursuit of the ruler's goals, and a power distribution system that gave policy-making power to those bureaucrats who apprehended the intention of the Emperor. By revealing Wang Anshi's various interpretations of human nature, I explain why the drafters of the New Policies believed that the bureaucrats could inherently find the best way to resolve any economic problem if the policy makers had educated them to apprehend the intention of the Emperor or had offered them attractive material incentives. Such a worldview failed to explain the economic problems, the real rationales and behavior of bureaucrats as encountered in practice.

Part Two focuses on the intellectual origin, process, and consequences of the policy debate on the Rural Credit Policy (known as the "Green Sprouts Policy") among the political elites at the court in the first three years of the Reform era (1069-1071). In Chapter Two I focus on the critiques of this policy conducted by Sima Guang, Su Shi, Cheng Hao, Chen Xiang and Zhang Jian. These critics were among the most important political thinkers of the mid-eleventh century, and also had great influence over the Chinese traditions of political philosophy. I explain how their systematic visions of human nature and political order led them to irreconcilably oppose the state's intervention into the rural credit market. In Chapter Three I will show how the paradigms that both sides used to explain policies and justify their

positions eventually led them into a deadlock that excluded any possibility of coordinating their different views to revise the Rural Credit Policy. The result of these debates was the construction of factional alliances, the clarification of irreconcilable attitudes between factions, and the purging of critics from decision-making circles. The original conflict-solving mechanism, theoretically characterized by policy makers' unbiased incorporation of different opinions, full responsiveness to policy feedback and strong capacity to shape collective choices, disappeared from the policy formation mechanism after 1071. By showing the interaction between the New Policy makers' worldview and the historical context, I will explain why the mechanism for organizing political elites collapsed.

Part Three discusses the interactive mechanisms between central leaders, the bureaucracy and market actors in the course of state intervention in the financial market and the tea and salt industries from 1071 to 1085. I explain why the drafters of the New Policies failed to organize bureaucrats and government agencies to achieve their goals of regulating the price of salt vouchers and protecting small market actors.

Chapter Four discusses how policy makers regulated the price of pond salt vouchers, which had been invented as a form of government bond to support the local government's borrowing of resources from social forces. The over-issuance of these bonds and their depreciation on the financial market caused the court to face an increasing burden of repaying debt. In order to resolve this problem, the drafters of the New Policies drew up rules that ordered government agencies to collectively

follow the needs of the market, regulate the price of these vouchers by adjusting the demand and supply sides without competing with the interests of other bureaucracies. The central leaders also built a deliberative mechanism that incorporated government and market actors to decide the price of goods. However, the bureaucrats kept on using their administrative privilege to pursue economic interests, causing the continued depreciation of the pond salt vouchers. In contrast to the determination to expel and punish the critics in the court, policy makers in this case found no way to organize those government agencies, instead passively accepting their demands. I argue that the inaction of the central leaders in this situation was caused by the limitations of their views on resolving conflicts among government agencies. Because such conflicts occurred between bureaucrats who the drafters of the New Policies believed to have grasped their intention, the drafters had no proposal for dealing with their conflict. They rigidly followed their original plan to keep on delegating autonomy to these agencies, overlooking their serious damage to the order of the financial market. The original plan for organizing the bureaucrats to regulate prices therefore failed.

Chapter Five discusses the new policies makers' failure in building state monopolies designed to organize the interests of producers, the government and powerful market actors to provide protection for the majority of market actors while increasing overall social productivity. I argue that their worldview made the policy makers to ignore the real difficulties that local bureaucrats faced, such as ignorance of

the economy, capital shortfalls, and a weak capacity to handle market changes. Instead they simply delegated regulative power to the monopolies' managers, who they believed had grasped their intention. They also believed that they could lead bureaucrats to find the best way to resolve economic problems by building reward and punishment institutions and instituting revenue quotas. Such views originated from the New Policy makers' belief in the omnipotence of human nature. In the real process however, the managers increased the quotas to show their apprehension of the Emperor's intention, while ignoring the real problems of local bureaucrats. The increasing fiscal pressure motivated local bureaucrats to break away from the original rules and build coalitions with powerful market actors to damage the interests of small producers and merchants. The state's organizing capacity was seriously weakened.

PART ONE

The Intellectual Origin of State-building during the New Policies Era (1068-1085)

To direct all our activities according to a single plan presupposes that every one of our needs is given its rank in an order of values which must be complete enough to make it possible to decide among all the different courses which the planner has to choose. It presupposes in short, the existence of a complete ethnical code in which all the different human values are allotted their due place

---F.A. Hayek[107]

Using Wang Anshi (1021-1086) as a case study, this chapter explains how the drafters of the New Policies believed an active state should exercise its power in the market, including the economic policies they designed for structuring state activism in the market, their stated means of implementing policies to deal with external changes, and their lines of reasoning for explaining the correctness of these policies and means. The questions we ask include: 1) Why did Wang Anshi and other New Policy makers believe that their plans represented the only state-building option that could solve the social, political and military crises of the day; and 2) Why did they believe that their plans would work.

My approach of posing questions to examine Wang Anshi's political thought resembles that of scholars such as Richard Tuck and James Tully. Both scholars have sought to develop an approach to political philosophy that sheds light on problems of the present age through contextual studies of the history of political thought.[108] One

[107] F.A. Hayek, The Road to Serfdom: Texts and Documents the Definitive Edition. Ed., Bruce Caldwell (Chicago: the University of Chicago Press, 2007), 101

[108] James Tully, An Approach to Political Philosophy: Locke in Contexts. (Cambridge:

purpose of such an approach is to study "as far as possible the character of the actual life which the theorists were leading, and the specific political questions which engaged their attention." Furthermore, "a study of the reactions to those questions should not be purely a piece of historical writing. It should also be a contribution to our understanding of how people might cope with broadly similar issues in our own time."[109]

By following this approach, scholars have on the one hand sought questions that are universal to political thinkers across time and space. On the other hand, by situating those political thinkers within the historical context of their times, scholars have examined how such context shaped the answers that political thinkers provided. As I will show in chapters One and Two, a central question that had concerned Wang Anshi and other political thinkers was how the rulership should organize people into a political system. "Governing" in this sense was viewed as dynamic, for any policy inevitably had to adapt to changes in the external world. It is also possible that the implementation of policies could lead to consequences deviating from their original purposes. Wang Anshi's central concern, therefore, was how to deal with such change and deviation. The line of reasoning he used to answer this question distinguishes him from political thinkers such as those in early modern Europe who took an epistemological approach to this question.[110] The problem of explaining changes of

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Cambridge University Press, 1993), 1

[109] Richard Tuck, Philosophy and Government 1572-1651, (Carmbridge: Cambridge University Press, 1993), xi;

[110] Maurizio Viroli From Politics to Reason of State: The Acquisition and Transformation of the Language of Politics 1250-1600. (Cambridge: Cambridge University Press, 1992), 241;

policy in relation to changes in the economic system had been a central concern for political thinkers in other historical contexts, such as early modern European Mercantilism. However, such concerns did not emerge in the political thought of Wang Anshi or his critics. In his reflections on economic policy, Wang Anshi tends to answer questions about how to install, manufacture, maintain and restore the economic order.[111] However, he does not seek the answer within the economic field. In his view, changes in the economic order were not determined by factors in the objective world, but rather by the subjective mental states of policy makers and implementers. Also unlike political philosophers such as Thomas Hobbes, he did not claim that policy participants should renounce their own judgment and live in accordance with the law of the sovereign. Instead, his concern was how to lead people to make the correct judgments in their everyday economic activities.[112]

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[111] Similar concern has also appeared in the German economic discourse. See Tribe, Keith Strategies of Economic Order: German Economic Discourse, 1750-1950. (Cambridge: Cambridge University Press 1995), 4

[112] Richard Tuck, Philosophy and Government 1572-1651, (Cambridge: Cambridge University Press, 1993), xvii. The question of organizing people has commonly concerned political thinkers in the East and West. My study of how intellectuals in the New Policies period answered these questions and their efforts to implement their thoughts will enable comparative studies to explain why the historical experience of state-building in the New Polices period presented a fundamentally different mechanism from other cases in the Early Modern European history. In particular, scholars can first compare different lines of reasoning that political thinkers in various historical contexts created to answer questions around state building. Scholars can further investigate the power of those thoughts in shaping institutions, as well as their capacities to deal with actual problems. They may pay particular attention to how political philosophy guided the state-builders to build institutions through which they resolved unexpected changes, but at the same time, blinded them to the other choices. Scholars can also discuss why in some cases the plans that political thinkers proposed to build the state failed to reach their designed purpose, while in other cases they succeeded in doing so. These questions will be answered by the comparative studies on the differences in political thoughts, as well as they their capacities to both penetrate people's mind and explain actual social and economic changes.

In this chapter, I situate Wang Anshi's thought on state-market relationships within his broader intellectual framework on organizing people to deal with change. I argue that the New Policy makers' confidence in the correctness and feasibility of their economic plans was rooted in their view of how the human world should operate. As one of the most influential political theorists in eleventh century China, Wang Anshi never isolated his view of the state's economic role from his systematic vision of the ideal political order. He believed that his vision had overcome uncertainty in the policy process; his ideas could explain and resolve any possible problems that might occur after his economic plan was implemented.

Wang Anshi believed that establishing the order for governance meant first guiding how people should think, because the mental state of rulers and other policy makers were determinant factors that explained why the state operated in different ways. According to his theory, policy outcomes deviated from the intention of policy makers because those policy implementers' minds had deviated from the correct way of thinking. Wang Anshi also believed that rulers could correct the implementers' minds through the construction of their institutional environment.

The question that guided Wang Anshi's design of the political order was how to make participants in this order think and behave in a correct, consistent and innovative manner to overcome the confusion in their minds resulting from a sense of uncertainty in facing the changing objective world. Furthermore, in the process of governing, he sought a way to make this correct way of thinking accountable and acceptable to others, so that all people could behave in the same manner in

accordance with the ruler's will.

In order to answer these questions, Wang Anshi had to confront an objective world of ceaseless change; such changes endangered any given solution due to uncertainty. He also had to face the ubiquitous conflicts of perspective that prevented people from agreeing on collective action in accordance with the ruler's will. Wang Anshi, however, firmly believed that people could eventually eliminate those conflicts and uncertainty, because they had the innate ability to apprehend the coherence of the world. Once people had grasped this coherence, they would not only behave in a correct, consistent and innovative way themselves, but also guide the entire political system to operate in conformity with this ideal.

In Wang Anshi's political thought, the coherence of the world was the dao, generally translated as the Way. As Wang Anshi defined it, dao was the only path that "Of the myriad things, there are none that do not follow it 萬物莫不由之." Consistent with this position, Wang Anshi believed in the existence of a single correct dao of thought and behavior that could be discovered, apprehended and implemented by human beings in their social and political practice. His systematic vision of political order and the line of reasoning he employed to prove the feasibility of this vision were based on his firm belief in the existence of the dao. Wang Anshi thus established the following line of reasoning: once rulers recognized the dao and applied it, they would guide the political system towards the only correct way of operation. The members of the political system would come to collective action in accordance with the rulers. The political system would then conduct consistently

correct innovation of policy in a way that was adaptive to change.

The dao in Wang Anshi's thought had different meanings, and he also built different lines of reasoning to illustrate his interpretations of it. Based on those interpretations of the dao, Wang Anshi designed a political order that could achieve his two goals. My depiction of Wang Anshi's political thought focuses on his different understanding of dao, which is manifested in his interpretations of dao's relationship with human nature (性 xing), mind (心 xin), and cultural and political forms (文 wen, such as government policies, institutions and literary expressions in the Classics). I will reveal the logical connections between his political writings and clarify the different lines of reasoning that articulated the above interpretations. I will then focus a single piece of his political writing, the "Myriad Word Memorial 萬言書" which he composed and submitted to the Emperor in 1058and which has taken by scholars as representative of Wang Anshi's entire plan for building a political order. Based on a close reading of this text, I will introduce Wang Anshi's schemes for building an institutional environment that could overcome policy deviations by shaping the collective action and adaptive governance of policy participants. I will further reveal how Wang Anshi interwove the above lines of reasoning to prove the validity of his political scheme in the Myriad Word Memorial.

CHAPTER ONE

Wang Anshi's Political Philosophy on State-building

Wang Anshi's political philosophy is centered on the concept of dao, a correct path that all should follow. Wang Anshi believed that people could follow this correct Way through self-cultivation as well as through guidance from external forces. By interpreting the dao as a personal moral principle, Wang Anshi explained how and why people could apprehend it in their mental world. By taking the dao as a principle for organizing people and materials, Wang Anshi further resolved the question of how and why people could follow the dao even if they had no recognition of it. By regarding the dao as the thought of the Sages, Wang Anshi resolved the question of how to find the dao, and who had the authority to judge the correctness of thought, behavior and policy.

Dao as a personal moral principle

Wang Anshi wrote that the dao of Heaven generated moral principles for people, which could guide their personal conduct. Common people could intuitively sense the dao as a guiding path and subconsciously adhere to it. Superior learned men could not only follow the dao, but through their education could learn to recognize naturally occurring principles as dao. Wang Anshi interchangeably named the dao as "the principle for human nature(xing ming zhi li 性命之理)," "the dao of the sages 聖人之道," the virtue (de 德), and the "spirit"(shen 神) In Wang's mind these terms were one subliminal force referred to by many names. As he wrote,

> We describe the sages as "spirit" because of their dao. We describe the sages as "sages" because of their virtue. We describe the sages as the "Great Men" because of their great achievement. The dao of the ancient sages always entered into their spirit (shen). We only call them sheng because their dao existed in the midst of empty silence and invisibility and when it was present in a man, it is called virtue (de). Therefore the dao of human being is spirit, but [in the case of personal virtue], they cannot be called shen. They were only named as de. ...Therefore we know that these three terms (sheng, shen and the Great Men) are all the names of the Sages. They have different names because these names refer to the different [dimensions] of the Sages.[113]

According to such an understanding, people could become Sages either through fully achieving the dao or through fully achieving the de.[114] The "shen," the "dao" and the "de" independently define different aspects of the same Sage-like characteristics. As Wang Anshi defined it, the de is the dao as it is present in man. De in his discourse referred to the correct ways of behaving and thinking that people can actually learn and follow in their daily practice. Wang Anshi therefore implied that all people regardless of their talent, morality, social or political status, could truly apprehend the dao in their mind. But why did he believe this?

Wang's conception originates from his interpretation of human nature (xing 性) as the source for both good and bad behavior.[115] Being neutral, it can be described as neither good nor evil; its moral features are only determined after its operation in people's minds. At the same time, moral principle is always present in people's minds.

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[113] Wang Anshi, "Darenlun 大人論," Wang Jingong wenji qianzhuzhong 王荊公文集箋注中, 1041

[114] Wang Anshi, "san shengren 三聖人," Wang Jingong wenji qianzhuzhong 王荊公文集箋注中, 968

[115] For discussions on Wang Anshi's understanding of the human nature, see Peter Bol, This Culture of Ours, 226; and Qian Mu 錢穆 "Wang Jinggong dezhexue sixiang 王荊公的哲學思想," Xinya shuyuan wenhua jiangzuo lu 新亞書院文化講座錄

The dao is thus not only the range of external societal and political norms that people must follow, but also an integrated part of people's minds. Wang claimed,

> The 'daode of the Former Kings' came from the 'principles for human nature (xingming zhi li),' and these principles came from people's minds. The Songs and Documents could accord with and reach the dao, and [the Qin rulers] could not take away what people's minds had or give them what they did not have. Although the Classics were lost, what came from men's minds was still present.[116]

Wang Anshi did not take the dao of the former Kings and the principles of the xing-ming to be principles imposed on people. He claimed,

> If we speak of the whole of dao, then it is present everywhere and does everything. It is not something those who learn can rely on, nor should they keep their minds on it. The dao that is present in the self is de, de is something that can be relied on. Loving others because of de is humaneness (ren). ... Rituals and rites are [the way through which] people feel the ren; intelligence (zhi) is [the situation in which] people know the ren; and trustworthiness (xin) [refers to the situation in which] people believe the ren.

Wang Anshi emphasizes that de is something people can rely on; in other words, they may know, feel, believe in, and follow these correct manners in their daily practice. As Wang Anshi notes, people could feel this correct path through the rituals and rites they personally conducted. They could grasp correct manners through apprehension of knowledge using their intelligence. They could build trust in others because of their common belief and adherence to that correct way.

How to apprehend the de is the next concern in Wang Anshi's line of reasoning.

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[116] Wang Anshi, "Qianzhou xueji 虔州學記," Wang Jingong wenji qianzhu 王荊公文集箋注下,1556

Wang Anshi did not believe in the capability of human nature to spontaneously provide moral guidance. Because human nature chooses both good and evil practices, Wang strongly rejected the idea that people need only follow their own minds to judge good and evil.[117] Based on this position, scholars interpret Wang Anshi as believing that external political authorities serve as the determining factors that unify people's values. This tendency is different from the Neo-Confucian rejection of political institutions as authorities for moral instruction, and their promotion of personal cultivation as the only correct way of leading people to a unified morality.[118]

The problem with this interpretation of Wang's position is that it cannot explain why he designed and explicitly spelled out an entire process of self-cultivation which he thought could guide students to attain and maintain mental coherence with the dao. Although his design was relatively ambiguous and impractical compared with that of the Neo-Confucians, he promised that such internal coherence of the mind could enable students to respond spontaneously to situations in a manner true to the dao.[119] The self-cultivation Wang Anshi described can be understood as a process by which students reached the ultimate dao and applied it to their practice. I therefore argue that Wang took self-cultivation as the basis for achieving political order. Although he did not believe that the personal mind was a reliable source for the guidance of conduct,

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[117] Wang Anshi, "Jiu bian er shangfa keyan 九變而賞罰可言"Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中, 1050

[118] Peter Bol, Neo-Confucianism in History, (Harvard University Asia Center, 2008), 115-193

[119] This description of learning comes from Peter Bol's discussion on Neo-Confucianism, which I think can partly generalize Wang Anshi's learning. See Peter Bol, Neo-Confucianism in History, (Harvard University Asia Center, 2008), 173

he still believed that students' independent learning through certain procedures was sufficient to reach the mental state of fully realizing the dao.

Compared with his systematic explication of how to achieve the dao when organizing the human and natural world, Wang Anshi's discussion of how people could comprehend the de in their minds is not elaborate. His inadequate discussion of self-cultivation was also criticized by Neo-Confucians such as Cheng Hao, who was his contemporary.[120] Those who came after Wang Anshi such as Zhu Xi took human nature as an innate essence and shifted their focus to the systematic development of a theory of learning, creating a new curriculum to guide literati self-cultivation.[121] Even if we accept Cheng Hao and Zhu Xi's views, Wang Anshi's commitment to the notion of attaining the de through self-cultivation cannot be completely dismissed.[122]

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[120] Cheng Hao and Cheng Yi, Er Cheng ji 二程集, (Beijing, Zhonghua shuju chubanshe ,2011) ,5

[121] Bol, Peter. Neo-Confucianism in History, 183 For comparison between Wang Anshi and Zhu Xi, see Bol, Peter "Chu His's Redefinition of Literati Learning," in Neo-Confucian Education: The Formative Stage,.edited by Wm. Theodore de Bary and John Chaffee. (California Univ. Press, 1989), 151-85

[122] Wang Anshi's elaboration on self-cultivation and its relation to the governing process had been developed before his appointment as the Grand Counselor (1021-1067), especially during the period when he was appointed as a local official in the lower Yangzi delta. During this period, Wang Anshi seriously studied the Classics like Book of Changs and Analects. Zhu Xi commented after Wang's death that Wang's scholarship appeared in two very different stages: one during his time as Grand Counselor, and one in his time as a local official. His writings about the Three Classics received much attention from scholars but his studies of the Book of Changes did not. (See Zhu Xi, Zhu Zi yulei 朱子語類 (Changsha, Yuelu shushe, 1997), P1784.) The "New Learning" he proposed for initiating the New Policies was often taken as his only work on the Classics, but this is untrue and derserves future research. Following the content of the Book of Changes, Wang Anshi briefly discussed the issues of how to learn in order to attain the de as well as how to maintain this mental state to respond to the environment. He threaded his own commentaries into the selected entries from the Classics, cementing them as a coherent whole to reveal the implicit connections between these entries and the true meanings that the sages expressed in the Classics. For an excellent discussion of Wang Anshi's contribution to the studies of the Book of Changes, see Xu Gui

Extant sources show some aspects of Wang Anshi's prescribed self-cultivation process. In general, he believed in people's capability to restore their "correct nature 正性." Wang Anshi called this process "exhausting nature 盡性." The process of "exhausting nature" meant complete apprehension of the correct way of behaving and thinking (de), or full illumination of that way in the mind. Such a mental state in Wang Anshi's discourse involved either the "curbing of passion and removing of desires to bring forth the shen (spirit) 去情卻慾而神明生矣" and the subsequent "cultivation of the spirit to achieve enlightenment 修神至明," or a mental state that "controlled the mind to purify and illuminate the de 齊明其心清明其德." People could achieve the ideal mental state through controlling their desires, cultivating their spirit and purifying their mind.[123]

More practically, Wang Anshi designed a procedure for fully discovering internal

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and Yang Tiaobao, "Zouchu Jing Gong xinxue—dui Wang Anshi xueshu yanbian xingtai de zai gou le 走出荊公新學對王安石學術演變形態的再勾勒," Zhejiang daxuexuebao, 35 no 1 (2005) ,31-35. Yang Tiaobao and Xu Gui argue that Wang Anshi in his early years put more emphasis on the learning of self-cultivation. This tendency is different from the "New Learning" which emphasized the study of the government. My argument, however, holds that Wang Anshi did not show such clear periodization. The contradictions existing in Wang Anshi's learning are not between the learning of self-cultivation and government. The real contradiction is his different interpretation of the dao and the processes he designed for ordering the world based on such different understandings. For studies of Wang Anshi's learning, also see Yang Tianbao 楊天保, Jinling Wangxue yanjiu—Wang Anshi zaoqi xueshu sixiang de lishi kaocha(1021-1067)金陵王學研究-王安石早期學術思想的歷史考察 (1021-1067) (Shanghai: Shanghai renmin chubanshe 2008), 249-280. The Book of Changes had great influence on Northern Song politics. Studies of this issue, however, more or less ignore Wang Anshi's attitude towards the Book of Changes and how this book influenced his thoughts on learning. For studies on the Book of Changes and Northern Song politics, see Kidder Smith, Peter Bol, Joseph Adler and Don Wyatt ed., Sung Dynasty Uses of the I Ching, (Princeton: Princetion University Press,1990); and Tze –Ki Hon, The Yijing and Chinese Politics: Classical Commentary and Literati Activism in the Northern Song Period, 960-1127(Honolulu: University of Hawaii Press, 2004). For discussion on Wang Anshi's understanding of the way of writing the Classics, see Peter Bol, This Culture of Ours, 229-230.

[123]Wang Anshi, "Li yu lun 禮樂論" Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1032;1035

coherence or de. This procedure started from the "nurturing of the life 養生." As Wang Anshi claimed,

> He who exhausts the possibilities of his nature is absolutely sincere; he who is absolutely sincere is of a fixed will; he who maintains fixed will preserves his physical form; and he who preserves his physical form nurtures his body.

The reverse of this order can also be sustained. As Wang Anshi argued,

> The physical form is the foundation of all life. So the nurturing of life depends on the preservation of physical form; the fulfillment of the purpose of the physical form depends upon nurturing of the qi, the nurturing of the qi depends upon a fixed will, and a fixed will depends upon absolute sincerity. The attainment of sincerity depends upon exhausting nature.[124]

The above quotations illustrate that Wang Anshi believed that good living conditions were related to the achievement of de. Wang Anshi also held that rigid manipulation of the mind was an important step for the enlightenment of the de; he emphasized the importance of "being absolutely sincere 至誠" and "having a fixed will 寧心."

Indeed, Wang Anshi designed a mechanism in which the improvement of material conditions, the manipulation of the mind, and learning through daily practice overlapped with one another to collectively lead to comprehension of the de. The successful operation of this mechanism relied on interaction between external circumstances and internal motivation. Wang Anshi designed ways in which

[124] Wang Anshi, "Li yu lun 禮樂論" 王荊公文集箋注中,1031-32. Quotation mainly adopted Williamson's translation. See H.R Williamson's Wang Anshi, A Chinese Statesman and Educationalist of the Sung Dynasty (Westport: Hyperion Press Inc, 1935) 357-58

governmental forces could improve subjects' material conditions, allowing people to follow their virtue without worrying about their means of livelihood.

He also widely discussed the role that rites, policies, and laws should play in providing norms for guiding people's activities. All these external forces had to be activated by internal motivations to receive the dao, to cultivate the mind, and to apprehend the de. Rites and rituals in such a course appeared not as coercive rules made by external authorities, but rather as a cultural form that the Sages, as superior men, created for others' mental cultivation. Wang Anshi criticized Xunzi's (313-238 B.C) understanding of the rites, which argued that external authority could also force people to falsely follow propriety. Wang Anshi insisted that peoples' commitment to propriety came from nature, and any false obedience of the rites was impossible.[125]

Wang Anshi argued that mental cultivation should be deeply involved in daily moral practices. Such practices emerged from a reliance on the norms that the Sages created to guide peoples' activities. By internalizing these norms, participants could achieve a state that enabled spontaneous responses to external events in a manner true to the innate de. Wang Anshi held that "As for the expression 'look not at what is contrary to propriety,' this does not mean that one should blindfold himself, and avoid the world of sight, for the things of the Heaven-and-earth as such are incapable of confusing my wisdom." Because people had recognized these norms, these norms made people wise prior to experience. Therefore even though people possessed the physical organs for hearing and seeing, the key factor that enabled them to be wise

[125] Wang Anshi, "Lilun 禮論," Jingong wenjiqianzhu zhong 王荊公文集箋注中,1029-1030

was their ability to recognize propriety, and only then, follow those norms to true wisdom.[126] Wang Anshi believed that people's capability to gain such wisdom was inherent in their nature.

People could achieve such a stage by cultivating their de. Wang mentions no requirement for any special learning or specific knowledge of the world. He implied that once people had entered this stage of understanding, they could go beyond any concrete knowledge and discover the best way to adapt to changes. Surviving literature provides little evidence of Wang Anshi's thought on the link between the learning of specific knowledge of the dao for organization of the external world and their apprehension of the de in their minds. Although he agreed that a wide range of knowledge on the human and natural world would be necessary to know the dao of the Sages, Wang Anshi did not clarify how such learning could be internalized as the de of the mind.[127]

In his design, governing and learning unfold simultaneously. The process of governing is also the process by which the members of the political system learn from each other to apprehend the dao. This is a process of leaning by governing, as well as a process of governing by learning. In his commentary on the Book of Changes, Wang Anshi describes a dynamic in which a single participant can activate those around himself. If the activities of some participants clearly convey the de, others will perceive this enlightened state, and form collective action. In this dynamic, personal

[126] Wang Anshi, "Li yu lun 禮樂論" Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1033

[127] Wang Anshi, "Da Zeng Zigu shu 答曾子固書" Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1264

belief leads to the conversion of others. This conversion is a "transformation 化" to a moral position following the dao. Any participants in the process can influence others and be influenced by others. Both the ruler and the ruled could be mobilized by policy, if all were devoted to the dao and communicated openly with one another. The question emerges: how does a single participant align all of his actions to reach a sustained state? Wang Anshi names this state "reaching the command of Heaven 致於命." In Wang's view, one must accumulate an understanding of de and consistently employ this de in every action. Participants continuously learn from one another to accumulate their de through observation, self-cultivation, moral practice, reception of external feedback, as well as reflection and rectification of the mind. This accumulation is a fully cyclical process, which begins anew each time it is completed. This self-perpetuating cycle will eventually lead to a mental state in which the de is fully apprehended.[128]

The government did not necessarily need to initiate this procedure, because the superior men's belief in the dao would be sufficient for them to spontaneously initiate pursuit of the dao and the process of learning. Political participation in the policy process was fully voluntary because all members were motivated by their political beliefs. In Wang Anshi's discourse, the rulers such as the Former Kings and the Sages were seen as superior men. No system of hierarchy existed outside of a moral

[128] All the above descriptions on the political order achieved by self-cultivation come from Wang Anshi, "Yixiang lunjie 易象論解," Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1023

meritocracy.[129] Their differences lay only in the advanced status they achieved in self-cultivation. As a result of such personal advances, their activities, as well as the political laws and institutions they created, could also encourage other people's self-enlightenment. Enforcement of this dynamic was again completely unnecessary, because in pursuit of de, all participants would voluntarily follow policy. From this perspective, the policy process is viewed as an aggregation of individual activities.

Self-cultivation is therefore seen as an independent process that can be accomplished independent of political forces, although Wang Anshi did not reject the positive role that such forces could play. The ideal political process had no autonomous rules independent of the moral norm for its members. There was no separate principle for organizing individuals, since people can be well-organized by assimilating to the moral conduct of one another. Thus, from this perspective, the governing process only comprises relations between individuals.

The king himself is a member of the class of superior men, and the governance of the Former Kings is the best model for the superior men's way of rulership. In many of his writings, Wang Anshi treats the "superior men 君子" and the "Former Kings 先王" as synonymous terms, regarding them as a category of rulers who followed the same procedures of governance.[130] The entire governing process of superior men, however, was independent of governmental agencies.

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[129] Wang Anshi, "Junzi zhaiji 君子齋記" Wang Jingong wenjiqianzhu xia 王荊公文集箋注下,1563

[130] For example, see Wang Anshi,"Yi Xiang lunjie 易象論解," Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1021-22

Wang Anshi had another dimension in his understanding of the dao that is very different from the notion of dao as a self-organizing structure. In this second position, he viewed the dao as a principle for organizing people through an external power structure. People's apprehension of de was not taken as the necessary precondition for the achievement of the dao for organization, nor would the achievement of the dao bring transformation to the minds of the people in the political system.

Dao as a Principle for Organizing People

If the members of the political system do not apprehend the dao in their minds, how can order be attained? How does this political order deal with the various personalities and capabilities of its members? In the second dimension of his understanding of dao, Wang Anshi held that the fulfillment of the individual's de is not a necessary prerequisite for achieving collective action that follows the dao. From this perspective, the dao is understood as a way of organizing many people and things, rather than a correct way for individuals to apprehend and follow in their personal actions.

Human "nature (xing)" in this line of reasoning was interpreted differently from the understanding discussed above. Human nature implies a common reaction that ordinary people have to a external stimulus. For example, Wang said that mediocre men lost their virtue when they were poor, and regained their morality when they were rich.[131] He also wrote, "The nature of man is as follows. They enjoy their living when rich in spiritual life and comfortable in physical life. They consider death when

[131] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書," Wang Jingong wenji qianzhu shang 王荊公文集箋注上,40

they feel depressed in mind and overworked in body."[132] In another situation, Wang held that, "In speaking of the xing of mediocre men, some people have good capabilities while others are incompetent. Some people are loyal while others are disloyal."[133] In this interpretation, Wang posits that the varieties of the xing in different people are illustrated in the scope of people's practical knowledge, their various levels of morality, their diverse modes of behavior, and their complicated personalities. Although he believed that people could improve their capabilities and morality through education and political participation, Wang held that people could not remove their differences to the extent of equalizing their morality and capabilities. The making of policies and institutions, therefore, had to take this variety as its premise, rather than seeking a fundamental transformation of human nature.

Wang Anshi held that people's apprehension of virtue could not give them full insight into the principles of all things. Nor would knowing the ethical norms automatically lead people to accept and follow moral principles. Virtue and knowledge of the external world were two separate fields. Based on his admission of variety in people's capabilities and virtues, Wang Anshi proposed the following goal for the operation of the political system: to "make full use of people's capability 羞其材" and "make full use of people's ethical virtue 羞其德." The key to achieving these goals was to build the proper way of organizing them. As he stated, "The monarch should appoint capable people to make full use of their capabilities. The monarch

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[132] Wang Anshi, "Fengsu 風俗," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1122

[133] Wang Anshi, "Weiren 委任," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1116

should also appoint people who truly have [ethical] conduct and make them attain their virtue. Then the country will be prosperous. All monarchs want the talented to exhaust their talents and the moral people to attain their virtue."[134]

In Wang Anshi's understanding of order, political institutions such as rituals, music, laws, and policy organizations were ties that bound individuals and material resources to the political order. Wang repeatedly pointed out that different ways of organizing people produced very different results. As I have mentioned, Wang also criticized how contemporary political institutions of his time deviated from the way of the Former Kings. These mistakes shaped the state's weak capacity in organizing people and materials.[135] In this discourse, Wang took policies and institutions as independent resources for the attainment of the dao. Those institutions and policies were not created for helping people apprehend the dao, but to allocate people to their proper positions, organize them to achieve the goals of the entire political system, and to generate their collective wellbeing.

Wang wrote at length on the ideal institutional framework that could organize people in the correct manner. In this system, the ruler should apprehend the dao in his mind and lead others who had no such apprehension. In "Nine Transformations, Then Reward and Punishment Can Be Addressed 九變而賞罰可言" Wang Anshi elaborated on how the dao as a personal principle was coherent with the dao for

[134] Wang Anshi, "Hongfan zhuan 洪範傳," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1004

[135] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書," Wang Jingong wenji qianzhu shang 王荊公文集箋注上,21

organizing people.

> That which myriad things rely upon to exist is heaven. The way that everything operates through is the dao. The dao that is present in the self is de. The love that is derived from de is benevolence. The proper manner of loving is righteousness. The actions that are benevolent should have sequence and the righteous way [of ruling] should have hierarchy. [The sequence and hierarchy] are called the order. [In that sequence] what should come last should not surpass what should come first. [In that hierarchy] the below should not surpass the above. These are their duties. Such sequence and hierarchy materialize into concrete forms. And they are also commanded by names. What are the forms that constitute such sequence and hierarchy? The decorations [for different people] were different according to their different statuses of noble and humble, as well as their near and distant relatives. What are the things that command sequence and hierarchy? The "noble and humble" as well as "the near and distant relatives" are names to differentiate the commands. The way to construct the sequence and hierarchy is to give the noble and the humble respective forms. The way to command the sequence and hierarchy is to give different names to the near and distant relatives. Based on the [hierarchy between] noble and humble as well as [the sequence between] the near and distant relatives, individuals were appointed to their respective positions; this was called appointment according to reality. Even if we have appointe people to the proper positions, if we do not supervise them, they would be out of control. We should trace the origin of the situation and judge what they do…. After we have clarified reality through tracing the origin and making judgment, we can tell right from wrong. After we have distinguished between right and wrong, we can put into effect reward and punishment.[136]

Wang Anshi in the above quotation takes the de as the presence of dao in people's minds. Only after the ruler has apprehended the de can he conduct a series of activities under its direction, including the building of institutions that allocate people to different positions in the political system according to their respective statuses and supervise them in these roles. The main form of regulation was through reward and punishment. The political system followed the dao because its creator had

[136] Wang Anshi, "jiubian er shangfa keyan 九變而賞罰可言," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1049

apprehended the de in his mind. As Wang Anshi further elaborated, if the ruler only trusted his own feelings without apprehending the correct way of thinking and behaving for himself, he would no longer possess any standard to rely upon. Without a correct standard, reward and punishment would cause great damage to society. As Wang Anshi stressed in this essay, the policy could not be based on the rulers' whim but must be grounded in the Way, which in turn required the rulers' self-cultivation. [137]

How was the government to guarantee that reward and punishment could achieve their purpose? Wang Anshi designed two mechanisms. The first mechanism focused on the emperor and his surrounding officials. Punishment and reward were assessed based on judgments about the personal character of the officials. Wang made this point in the commentary on the Great Plan in the Book of Documents:

> The monarch should appoint capable people to make full use of their capabilities. The monarch should also appoint people who truly have [ethical] conduct and make them attain their virtue. Then the country will be prosperous. All monarchs want the talented to exhaust their talents and the moral to realize their virtue. However, no one could achieve these purposes during these thousands of years [following the Sage Kings]. The monarchs' intelligence was not bright enough to illuminate the knowledge of the people of the world, nor was their sincerity complete enough to unify the virtue of the people of the world. Intelligent people, therefore, could not be known as they were pushed aside by the inept. Upright people received little support as they were trapped by the unworthy. Thus, it became impossible to accomplish their activities. The way to illuminate the knowledge of the world lies in investigating the principle of all things to the utmost; the way to unify the virtue lies in fully developing one's nature. If one has investigated principle to the utmost, he will know what the faults of wrong rules have been. He therefore will not give [false rules] to the people. He will also know what the ethical norms are. Therefore, he will

[137] Wang Anshi, "jiubian er shangfa keyan 九變而賞罰可言," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1050

> confer prosperity on people following such norms. If he has fully developed his nature, he will achieve his humanity without humiliating the rare and wise men. He can also achieve righteousness without fearing the powerful. If we follow these ways, then the inept will be induced to become the wise. Even if they can not become the wise, at least they will not be able to push aside the wise. In addition, the unworthy can become the upright. Even if they can not become upright, at least they will not trap the upright. Thereafter, the people possessing capabilities and good conduct can make good use of their activities, and the country will flourish.[138]

Wang Anshi in the above essay proposed two goals for rulers. As he implied the ultimate goal was that " the unworthy can become upright". On the other hand, he also realized that in many situations, that ultimate goal could not be achieved. He therefore also proposed the immediate goal. As he stated, "even if they (the unworthy) cannot become upright, at leas they will not trap the upright". Wang Anshi in this statement did not take transformation of bureaucrats' mind as the single goal for building the ideal political order. He stressed that the rulers should allocate bureaucrats in the positions that made full use of their talent and virtue. For Wang Anshi, the reward and punishment are the major means through which the rulers could achieve that immediate goal.

In the process of achieving that immediate goal, the basis for conducting correct reward and punishment was to put the officials into different categories. Wang Anshi thought that all officials had a main feature, such as being talented, worthy, inept, righteous, or unworthy. The ruler should first find out the true features of his officials, and then reward those who were talented and worthy while punishing the incapable

[138] Wang Anshi, "Hongfan zhuan 洪範傳," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1004

and unworthy ones. Only by doing that could the ruler exhaust his subordinates' talent and virtue and motivate them to contribute to the political system as a whole. According to Wang Anshi, this process is would not be smooth because the unworthy and inept officials would prevent the ruler from selecting worthy and talented bureaucrats. The ruler therefore needed to cultivate himself so that he could correctly discriminate the true characteristics of his officials. In such a process, the emperor should survey the policy opinions of his officials as evidence of their personal features. The focus of the ruler would not be on the value of those opinions in resolving actual policy problems, but on what they reflected about the personal character of the holders.

In another essay, Wang Anshi designed another institution for reward and punishment that would be based on material incentives, in keeping with his interpretation of human nature. As Wang Anshi stated,

> All people have the nature of being ashamed of and hating [something]. They manifest this nature by being ashamed of and hating one kind of thing. Here is a man who is ashamed of his failure to do good or to establish a good reputation. He is therefore devoted to do good in order to satisfy his nature of being ashamed of and hating something. What is there to prevent him from becoming worthy? This is an instance of fulfilling the ideal possibilities of his nature and is in accordance with what Mencius called "the nature of man."
>
> Take another instance. Here is a man who is ashamed that he has not gained enough profit, or hates the insufficiency of his profit. If he devotes himself to gain more profit in order to satisfy his nature of being ashamed of and hating something, what is there to prevent him from becoming an evil man? This is an illustration of a man fulfilling the baser possibilities of his nature and is in accordance with Yang Zi's definition of the "nature of man."[139]

[139] Wang Anshi, "Yangmeng 楊孟," Wangjingong wenji qianzhu zhong,979

Compared to his other definition, which emphasized people's innate ability to apprehend the dao in their mind, Wang Anshi reinterpreted human nature as a common tendency to be ashamed of, and to hate, the things they look down upon. However, although he believed people had the innate capability to know the common good, Wang Anshi denied the idea that there existed a common immorality that all people hated and felt ashamed of. People do bad things because those things are, in their views, not bad. The benefits they obtain from these "bad" things are more important than other considerations. Thus, the difference between bad people and good people lies in the different standards of what they hold to be hateful and shameful.

External authority could motivate people's disposition and behavior by providing them with material incentives. Those incentives included good reputation, honorable political status or wealth. In his other writings, Wang Anshi expresses confidence that those three incentives covered all possible needs.[140] He thought that people would exhaust their talent and virtue if such incentives had fully awakened their enthusiasm.

The political system's adherence to the dao is determined by the mentality of the ruler. The ruler should apprehend the dao, then he should assess his officials to make full use of the worthy and talented. As we will discuss in Chapter Three, such ideas guided the way the drafters of the New Policies treated their critics. According to Wang Anshi, the ruler should also establish material incentives to motivate his subordinate bureaucrats to accomplish what he wanted them to do. Based upon his

[140] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書," Wang Jingong wenji qianzhu shang 王荊公文集箋注上,57

goals, the ruler should set standards for deciding reward and punishment. As we will discuss in Chapter Five, the New Policies makers believed that they could control bureaucrats through fixing the reward and punishment measures to specific standards . They could also adjust those quotas to correct policy deviations.

The assumption behind such an institutional design is that the people had the innate faculty to find out the best way to deal with change if the ruler built efficient reward and punishment institutions. The ruler therefore only needed to appoint officials who suited their positions, and provide an incentive system to stimulate those officials' enthusiasm. The ruler should leave policy implementers some space to let them make decisions, rather than intervening personally to address concrete difficulties they faced in the process of governance. Through those institutions, the intention of the ruler could be achieved even when other participants had not grasped his intention. The operation of the political system could therefore follow the dao.

Dao as the Sages' Conception (意 yi)

What are the intellectual and experiential requirements that one must fulfill to become qualified as an authority to make claims about the meaning of the dao? Wang Anshi answered this question by interpreting the dao as the thought of the Sages.

In his famous essay entitled On Attaining Unity (Zhiyilun 致一論), Wang Anshi outlined an entire course for people to apprehend the dao. He further described the mental state of the Sages that had fully grasped the dao, explaining how they had attained this state. He claimed,

> All ten thousand things have an ultimate normative pattern 理 to them. If one can understand the essence of their pattern, he is a Sage. The dao of understanding this essence of pattern lies simply in attaining the unity of all things. If one attains unity, then all things under Heaven can be apprehended without calculation. …If one is able to attain unity and grasp the essence of all patterns under Heaven, then he can enter shen. Once he has entered shen, then [he has reached] the ultimate dao. When thus, he is at a moment of shen that is 'no thought, no action, tranquil and unmoving.' However, there are certainly affairs under Heaven that can be thought about and acted upon; he must 'comprehend their causes.'[141]

In this essay, Wang Anshi implicitly changed the connotation of "de," lowering it from a concept equal to dao to a series of simple virtues, which represented one aspect of people's character. He argued that people could "fully realize their virtues 崇德 (chong de)" in their daily moral practice. However, Wang Anshi further argued that their realization of those virtues did not mean that they were fully aware of the principle of all things, able to "attain the unity 致一" of the world. Attaining the de in this philosophy was only the first step in a larger process of cultivating people's spirit (神 shen). Wang Anshi depicted the "spirit" as the ultimate mental state of "no thought, no action, tranquil and unmoving." Only when students had achieved this mental state could they attain unity in their social and political practice. Unity in this essay meant the coherence. Wang Anshi believed that if the students had attained the coherence, they would automatically respond to all things of the world in a consistently correct manner. In other words, they could find the correct way to overcome any uncertainties brought about by external changes.

In contrast to Wang's first position, he no longer took the apprehension of the

[141] Wang Anshi, "致一論," Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1043. Translation appears in Peter Bol, This Culture of Ours, 231

correct way of behaving and thinking in daily practice as enough for the student to enter the ultimate mental state. Realization of personal virtue only marked a beginning stage in the long self-cultivation process. According to Wang Anshi, after students had realized their personal virtue they should actively devote themselves to political practice. The student's pursuit of virtue referred to the perfection of their personal conduct in doing good and avoiding evil activities, but political practice required them to possess the principles that determined peace and turmoil in a political system. In addition, they had to grasp the best way of arranging people in different positions in the political system according to their virtue and intelligence.[142]

Wang Anshi did not believe that common people could apprehend the spirit (shen) without the complete pursuit of virtuous conduct and bureaucratic service. This process can neither be achieved by only controlling their desires and emotions, nor by learning from other people's ethical conduct. Unlike the de, the shen was not inherent in people's minds, and therefore individual capability to recognize the shen could not be guaranteed by belief or devotion.

Wang Anshi further argued that the Sages, who had entered a similar stage of fully apprehending the shen, could easily understand one another's activities. They would automatically react to the environment and follow the same dao. Although their activities were different, the dao that guided these activities was consistent.[143] For common students, who had yet to experience the complete process of learning the

[142] Wang Anshi, "Zhiyi lun 致一論," Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1044

[143] Wang Anshi,"Fuzi xianyu yaoshun 夫子賢于堯舜" Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1054

principle of all things in their moral cultivation and real political practice, this process was impossible. The impossibility of individual discovery of the dao was due to a shortage of experience that made students incapable of gaining a complete knowledge system of the world. Therefore those students could never fully develop the shen. Wang Anshi never designed or mentioned a practical procedure for guiding people to generate their shen. As his other writings illustrate, Wang Anshi considered the Sages to be the only people who had attained complete shen. Shen was the ultimate goal of self-cultivation that individuals might aspire to, but could never attain.

According to Wang Anshi, unity in thought and action meant that the Sages' every action was in accordance with the dao. This coherence in action distinguished the Sages from both the superior men and the common people. Wang Anshi defined the superior men (or the "worthy"賢人)as those who had apprehended the dao but could not attain unity. In his words, "the worthy is not always in agreement with the Sage in the matter of conduct. It is simply that his knowledge is such that he can know the Sage."[144] In this statement, Wang Anshi clarifies the difference between the mental states of the Sages who had known the complete dao and the worthies who had only apprehended the dao of the Sages. For Wang Anshi, the worthy's apprehension could not guarantee his unity in mind and behavior because his apprehension of the dao was based on, and constrained by, the Sages' words and writings. Moreover, Wang Anshi thought that this gap could not be filled because even the worthy could never attain the social and political experience that the Sages had

[144] Wang Anshi, " Da Gong Shenfu shu 答龔深父書," Wang Jingong wenjiqianzhu zhong 王荊公文集箋注中,1216

obtained.

But does this mean that the dao is inaccessible to the learners? In Wang Anshi's political philosophy, the answer is no because he added the concept of "wen 文" to his line of reasoning. "Wen" included the written texts of law, policies, and institutions that had been recorded in the Classics. As he stated, "the teachings [that led to] order and the commands [that effected] policy were what the sages called wen."[145] Wang Anshi held that the Sages created those texts, which recorded how they responded to external changes. In their reaction to changes the Sages established laws, policies, and institutions to organize people. The Sages formed conceptions of how to deal with external changes, conceptions that were embodied by those institutions and the texts written by the Sages. Wang Anshi believed that the Sages had their pointes to make when writing those texts, which could be grasped by learners to guide people's social and political practice.[146]

Who had the authority to explain the Sages' conception in the policy making process? This question is fundamental for building the order of governance, because only those who had such authority would have the legitimacy to lead the political system.

Wang Anshi attitude towards this issue in his various writings is ambiguous. In his preface to Explanations of the Characters (字說), Wang Anshi confidently

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[145] Wang Anshi, "Yu Zu Zezhi shu," Wang Jingong wenji qianzhu, 王荊公文集箋注中, 1367
[146] Wang Anshi,"Fuzi xianyu yaoshun 夫子賢于堯舜" Wang Jingong wenji qianzhu zhong 王荊公文集箋注中 1054

claimed, "How could it not be that Heaven plans to restore This Culture of Ours and is using me to aid its beginning? Therefore teaching and learning must begin from this. Those able to understand this will already have nine-tenths of the meaning (yi) of daode."[147] Wang Anshi implied that he was the person who had been chosen by Heaven to begin the new literati culture, because he had discovered the conception of the Sages. This claim did not assert that he should have the dominant role in the formal policy making process, however.

During the early years of the Xining reign, Wang Anshi re-edited his commentary on the Great Plan chapter in the Document and submitted his commentary with a memorial (表). The targeted reader of that memorial was the emperor. In the memorial, Wang Anshi asserted that the emperor had good personal virtue and intelligence. On the other hand, however, Wang Anshi did not suppose that the emperor had correctly follwoed the conceptions of the Sages in making policy. Good officials therefore would not be discovered by the emperor and thus the behavior of literati at court would not be transformed. Bureaucrats all over the country did not follow the correct policies. The court could not unify literati opinion, but instead allowed the existence of divergence and endless debate. According to Wang Anshi, he submitted this commentary because he wanted to make the emperor know how to use the conception of the Sages to deal with actual situations.[148] Wang Anshi's

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[147] Wang Anshi, "Xining zishuoxu 熙寧字說序," Wang Jingong wenji qianzhu xia 王荊公文集箋注下,615

[148] Wang Anshi, "Jin hongfan biao 進洪範表" Wang Jinggong wenji qianzhu zhong 王荊公文集箋注中,749

attitude in this memorial resembles his attitudes in his informal conversations with Emperor Shenzong and other high officials as they were recorded in his Diary 日錄). In those conversations, he repeatedly criticized the Emperor's hesitation on the New Policies as well as his tolerance of different opinions.[149]

Nevertheless, in his other writings which the court publicly promulgated to the students at the government schools, Wang Anshi claimed that the emperor was the only authority who had not only discovered the dao but also personally decided the New Policies and made them fully reflect the conception of the sages. For example, in the prefaces he composed for the New Commentaries for the Three Classics, which was published as a textbook for government schools in 1075, Wang Anshi emphasized that he was merely the follower of Emperor Shenzong in the entire process of deciding the New Policies.[150]

Wang Anshi used a similar narrative to write his various prefaces to the New Commentaries for the Three Classics. He first stated that the Sages had apprehended the dao in their minds. The Classics that the Sages wrote therefore embodied their conception in ordering the world. He further argued that only Emperor Shenzong had discovered and apprehended that conception and followed that conception to make the New Policies. The emperor wanted students to learn the conception of the Sages, therefore he ordered Wang Anshi and his subordinates to write the commentaries.

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[149] Wang Anshi's personal record is mainly preserved in Xu zhizhi tongjian changbian 續資治通鑒長編.

[150] Wang Anshi, "zhouli yi xu 周禮義序" "Shu yixu 書義序" "Shi yisu 詩義序,"Wang Jingong wenji qianzhu xia 王荊公文集箋注, 1610-1617 "Jin zishuo biao 進字說表" Wang Jinggong wenji qianzhu zhong 王荊公文集箋注中, 747; "Jin zishuo zhazi 進字說劄子" Wang Jingong wenji qianzhu shang 王荊公文集箋注上,183

Wang Anshi stressed that he had no authority to decide the meaning of the Classics. All his work was to record and deliver the Emperor's opinion on the dao. The way in which he delivered the emperor's opinion was to exhaust his knowledge of antiquity so that he could apprehend the emperor's conception by clarifying the interconnection between his policies and the Classics.[151]

Wang Anshi even claimed that the emperor had the grasped the "spirit 神" which was the ultimate stage in Wang's design of self-cultivation.[152] Wang Anshi therefore took the emperor to hold absolute authority in the formal policy process. The public, including bureaucrats and other policy implementers, should also recognize that authority and obey the emperor's edicts. The New Policies reflected the intention of the emperor, which was in accordance with the conception of the Sages.

Wang Anshi did believe that the emperor could be corrected in the informal deliberation process, but he had the clear sense that the informal deliberative process should not be known to the public. The emperor could be wrong, but his mistake should only be discussed within a limited circle. The actions and ideas of the emperor as shown to the people outside that circle should be absolutely obeyed. Furthermore, the emperor should not show any hesitation about the New Policies before the public because those polices were his own. As we will see, Wang Anshi had designed a formal procedure to resolve policy deviations. He emphasized that the emperor's

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[151] Wang Anshi, "zhouli yi xu 周禮義序" ,Wang Jingong wenji qianzhu xia 王荊公文集箋注,1610

[152] Wang Anshi, "進字說表" Wang Jinggong wenji qianzhu zhong 王荊公文集箋注中 ,747; "Shi yisu 詩義序,"Wang Jingong wenji qianzhu xia 王荊公文集箋注,1612

intention should be honestly implemented by the bureaucrats.

Moreover, the emperor was not autocratic in the formal policy making procedure because he could not arbitrarily interpret the conception of the Sages in the Classics. The New Policy makers, including the emperor, had achieved agreement on the basic understanding of the Sages' conception. They published standard commentaries on the Classics and unified the interpretation of that conception. I will discuss their interpretation in the next section.

"Yi 意" as the Sages' conception of priority and sequence in rulership

Wang Anshi and other New Policy makers' understanding of the Sage's conceptions/intentions (yi) was disseminated throught the composition of official commentaries on the Three Classics to make them the standard commentaries for the civil examination. This included the commentaries for the Documents, Songs, and the New Significances of the Institute of Zhou, the last of which Wang Anshi personally wrote. Extant materials demonstrate Wang Anshi's complex understanding of the Sages' thought (or yi) in his writings.

In his correspondence to Zu Zezhi, Wang Anshi elaborated upon his understanding of the thought of the Former Kings in their political practice of making rules. He believed that their thought could be found in the wen written by the Sages. As he stated,

> The teachings [that led to] order and the commands [that affected] policy were what the Sages called wen. When written on slips of wood and applied to all the people they were one. As for the Sages in regard to Way, their minds must have apprehended it. When they acted and made teachings and commands, the Sages ordered root and branch, and what came first and last. They made principles [for people] on the proper way of action according to the situation and unified

them with the ultimate principle (權勢制義而一之于極). When they wrote them down on slips of wood they were simply recounting how it was. The ignorant people, however, did not do things as the Sages did. Sometimes they fit [the proper way of behaving], but sometimes not. They were either indulgent or overly constrained [in the process of resolving problems]. They either overdid things or did not reach [the standard for proper action]. In more serious situations, people gave up the things that should have been taken as the root, but only sought to do the things that are the branch; they put priority on the things that should be done later. All that they did deviated from the ultimate principle.[153]

Wang Anshi demonstrated a mode of analysis that showed how to grasp the conception of the Sages with the concepts of "root and branch 本末" and priority 先後. That conception was coherent because it fully captured the coherence of the external world. In his view, this mode of analysis could be applied to all times and situations, and was not limited to the Classics, which he did not think were complete in any case. Wang Anshi wanted to instruct learners on how they should think during the process of making policy. He believed that seeing the coherence of things at a higher order of abstraction/generalization was important in the development of policy.

Priority or sequence referred to the Former Kings' conception of which problems should be resolved first and which problems would determine policy outcomes. In the Wanyan shu and other writings, Wang Anshi repeatedly describes such sequences as "root and branch 本末" and "what comes first and last 後先."[154] Wang Anshi believed that the sequence could be discovered in the Classics, which recorded the ways in which the Former Kings prioritized policies according to

[153] Wang Anshi, "Yu Zu Zezhi shu," Wang Jingong wenji qianzhu, P1367. Part of this translation, see Bol, Peter "Chu His's Redefinition of Literati Learning."

[154] Wang Anshi, "Shang shenzong huangdi yanshishu," Wang Jingong wenji qianzhu, 22; Wang Anshi, " Cewen shiyidao" Wang Jingong wenji qianzhu, P1147; Wang Anshi, "Yu Zu Zezhi shu," Wang Jingong wenji qianzhu, 136

changing circumstances. The ignorant had no knowledge of this, and therefore arranged the sequence incorrectly when facing multiple policy options.

In his discussion of the sequence of rulership, Wang Anshi believed that there existed universal principles that could guide people to make choices about their actions in various situations. He also believed that the Sages had discovered those principles, and therefore the way they did things was correct. He further held that the Sages had recorded in the Classics how they made policies, but without explicitly articulating what the principles were. The principles had to be drawn from an analysis of the Sages' writings. The Sages' behavior as recorded in the Classics could not be seen because of the eclipse of time, but the Classics recorded the process of the the Sages thinking. Wang Anshi believed that he could also discover the principles by analyzing the Classics. These principles in his discourses are the conception or the dao of the Sages. Through his explanation of the Sages'conception (yi), which guided them to act in particular ways, Wang Anshi believed that he had found principles that could also guide his contemporaries in their decision-making.

Wang Anshi formulated the universality of the Sage's conception by reinterpreting knowledge distinctive to Zhou ritual in a more universal manner that could guide practices across time and space ibed using language that contemporary readers could understand, even when those readers had no concrete knowledge of policy or the jargon that was used in the age of the Former Kings. For example, in his discussion of the Nine Tributes(九貢) system of the Former Kings, Wang Anshi explained why the writer of the Rites of Zhou followed certain sequences in recording

the different categories of tribute. Wang Anshi argued that the Nine Tributes began with sacrifices imposed on the hou zone of service (100 li from the royal domain) because the Former Kings intended to extend the policies by following the sequence that put the upper before the lower. The Former Kings then imposed a tribute of women's textile production (silks and linen) on the dian zone of service (the next 100 li) because the Former Kings followed the sequence of "inner before outer." The inner (内) in common people's knowledge referred to the women of the family. He further argued that the tribute of cloth (服貢) came after the tribute of timber (材貢) because the Former Kings thought that state supplies should be prioritized above personal supplies for the ruler.[155]

Wang Anshi's argument is based on his knowledge of the distinctive terms employed in the Classics. In the above depiction, such terms included "hou zone," "dian zone," "tribute of cloth," and "tribute of timber." These terms would not appear in the policies of Wang Anshi's time. The Song taxation and local administration system shared no similarities with the institutions that those terms described. Wang Anshi, however, did not think that the conception of the Former Kings can only be applied to those distant institutions and terms. Based on his analysis of the meaning of those terms, he used abstract but understandable expressions to describe the conception. For example, based on his analysis of the meaning of dian zone and hou zone, he concluded that the Former Kings did these concrete things because of their conception (yi) that "the order of extending policies should put the upper before the

[155] Cheng Yuanmin, Sanjing xinyi jikao huiping, 36

lower and the inner before the outer and should impose detailed [duties] on the near and modest [duties] on the far." To understand this expression required no knowledge of Zhou rituals. Words such as "upper 上" and "inner 内" can refer to anything related to emperor and family, including contemporary things. Their meanings thus subsumed the original meanings of those terms as used in the Zhou. Thus for Wang the conception of the Former Kings could be inferred from the fact that they arranged and the idea of a proper sequence could guide the way people in the present formulated their policies.

Wang Anshi also believed that the Former Kings had a deeper meaning when arranging the sequence. Therefore, contemporary learners should not only know the principle for prioritization among different policies, but also apprehend the reasons why the Former Kings had formulated this principle. For example, in another section, Wang Anshi concludes that the Former Kings arranged the sequence of Eight Levers (八柄) by following a way that put reward before punishment, heavy reward before light reward, and light punishment before severe punishment. He pointed out that the Former Kings did this to imply that the ruler should show his priority of encouraging reward over punishment. Wang Anshi further noted that this arrangement of the sequence also implied the Former Kings' conception that the ruler should be flexible in carrying out reward and punishment, according to changing situations. In such a way, the Former Kings specified different priorities for punishment and reward.[156]

The Former Kings' conception of the ruling sequence referred not only to the

[156] Cheng Yuanmin, Sanjing xinyi jikao huiping, 27

question of "what comes first and what second" but also to which policies should be taken as the "root 本" and which as the "branch 末"; that is, that some things were fundamental to other things, and something were dependent on other things. From Wang Anshi's perspective, the achievement of the court's goal would depend upon several key factors. If the ruler wanted to achieve his goal, he should focus on the root factors, which would determine the result of governance, rather than superfluous factors. For example, Wang Anshi argued that the Former Kings had a ritual system built around showing true respect to the gods by rulers, officials and common people. The later dynasties, however, forgot this root. They lost true respect for the gods, only paying attention to the details of the rites. Thus they could not achieve the goal of attaining peace through concrete rituals. Wang Anshi concluded, "The process of governing has its root and branch. If you do not work on the root but only work on the branch, you will not achieve your purpose."[157]

In his commentary on the Great Plan chapter of the Documents, Wang Anshi discussed the conception of the Former Kings in regard to both the root of governing and its relationship to concrete policies. Wang Anshi believed that full achievement of the dao in the governance process would result in the improvement of common people's living conditions, including better health, greater wealth, increased virtue, and the promise of satisfaction at the end of life.[158] He believed that the attainment of this purpose was determined by the fulfillment of the doctrine of the "August

[157] Cheng Yuanmin, Sanjing xinyi jikao huiping,514

[158] Wang Anshi, "Hongfan zhuan 洪範傳," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1018

Ultimate 皇極." Wang Anshi interpreted this doctrine as the rulers' distribution of wealth to the majority people, even if they did not have the sincere mind to follow the ruler.[159] Wang Anshi called this doctrine the "root 本" for governing, because it determined the successful achievement of the fundamental goal.

Wang Anshi believed that all the policies made in the governing process should reflect this root. The policies should also guarantee the achievement of this fundamental doctrine. In his commentary on the Great Plan, he showed that the Former Kings had this conception. Wang Anshi summarized the basic characteristic of the economic policies as "taking resources from some parts of society to distribute them to other parts" to strengthen agriculture as the basis of the livelihood of society.[160]

In the Great Plan Wang Anshi argued that the Former Kings had the conception (yi) of designing various measures to guarantee the achievement of the fundamental doctrine. He point to such measures in the text as the monarch's self-cultivation of his nature through the five behaviors; the employment of the talented through the eight measures of governing; the use of the five records to follow the calendar; the use of the three virtues to deal with external changes; the reliance upon the monarch's own mind as well as external objectivities to resolve uncertain difficulties; and the

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[159] Wang Anshi, "Hongfan zhuan 洪範傳," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1001

[160] Wang Anshi, "Hongfan zhuan 洪範傳," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,992

judgment of policies through natural omens.[161]

Wang's interpretation of the Sages' conceptions extended to the relationship between the state and private interests in his own day, for example, in Wang Anshi's interpretation, the Sages' conception of ruling entailed a process. As he described it:

> The Zhou dynasty instituted the Market Treasurer, by which it suppressed land-engrossing, equalized [resources] to save the destitute and needy, and circulated the wealth of all-under-heaven. In later generations, only Sang Hongyang and Liu Yan were close to realizing the intention [of the Former Kings]. Scholars were unable to illuminate the conception of the Former King's policies; they simply thought that the sovereign should not compete with the people over profit. If we are to manage wealth today, we should establish the policy of Market Treasurer so as to control the power to profit.[162]

The above quotation depicted a process in which the government first took resources away from powerful market actors and then redistributed them to others who needed those resources. This ideal process had emerged in the Sages' governance. Wang Anshi believed that it could also reoccur in the contemporary age. The increase of state revenue, and its reinvestment in infrastructure and other efforts, would lead to the improvement of social welfare and strengthening of people's capacity to increase their products. y. The fundamental way to guarantee the achievement of this ideal process was to place the various government agencies under the leadership of bureaucrats who had apprehended the Sages' conception of the sequences and

[161] Wang Anshi, "Hongfan zhuan 洪範傳," Wang Jingong wenji qianzhu zhong 王荊公文集箋注,991; "Shu hongfanzhuan hou 書洪範傳後," Wang Jingong wenji qianzhu zhong 王荊公文集箋注中,1195

[162] Cheng Yuanmin, Sanjing xinyi jikao huipingshang xia 三經新義輯考彙評下, 212

priorities of rulership. Those bureaucrats should know that the root of the political system lies in the prosperity of the majority of people in society. They would then make policies and used material incentives to lead their subordinates who had no such apprehension to achieve that conception. They should also know the principle for arranging policy priorities depending on changing circumstances.

The New Policy makers' interpretation of the Sages' conception in practice could not provide much guidance for resolving such practical problems. It became a theory that was used by policy makers to prove the legitimacy of their policies, which continually required more revenue. The New Policy drafters claimed that increasing revenue would not damage social productivity because the bureaucrats could find ideal ways to achieve their goals. The only work for the policy makers was to make the bureaucrats know the conception of the sages and the intention of policy makers, build the material incentives to stimulate their enthusiasm, and give them more autonomy to decide on market strategies.

Building Motivation to Shape the Bureaucrats' Collective Action and Adaptive Governance : A Close Reading of Wang Anshi's Myriad Word Memorial

Based on his understanding of the dao, Wang Anshi envisioned a whole scheme that in his mind would guarantee the successful implementation of the New Policies. Based on a close reading of his most famous essay, the Myriad Word Memorial (Wanyan shu 萬言書), I will show how he interwove different lines of reasoning to design his ideal political order.

In 1060, Wang Anshi was appointed Administrative Assistant of the Tax Bureau of the State Finance Commission. At that time, he submitted to Emperor Renzong his most famous reform plan, known as the Myriad Word Memorial. Unlike his later plans on economic reform, Wang Anshi's focus in this memorial was on building an ideal system of governance to enable the Song state to successfully respond to changing conditions by flexibly adjusting its policies. The ideal way of ruling did not mean blind obedience to the letter of policy, but it not mean the unfettered autonomy of the bureaucrats either, who might choose to act so as to satisfy their private interests. For the New Policy makers like Wang Anshi, the ideal way of governing meant the simultaneous attainment of the policy implementer's creativity and conformity to the intentions of the policy.

The strategy of rewarding conformity might appear to be at cross-purposes with developing creativity and innovation. To a certain degree, the system required policy participants to rigidly follow guidelines from the central authorities. At the same time, it also asked them to break through outdated constraints on governance, respond to external crises, and to be more adaptive to local developments unknown at the central level. This new political system required participants to innovate as long as they always followed the dao, and never prioritized their private interests. Unlike some early modern European political thinkers, such as Thomas Hobbes, John Locke, or John Stuart Mill, Wang Anshi and other drafters of the New Policies did not try to resolve this theoretical difficulty by drawing a clear line between the power of policy making and the power of policy implementation. Not did they bestow categories of

power to their corresponding political units, such as a representative assembly as the unit for exercising policy making power or a bureaucracy for policy implementation. Instead, they believed that these two goals were not contradictory, because they integrated the concept of dao (or the yi of the Former Kings) into their logical framework. By using this term, they proved that these two goals could be satisfied in theory by the same governing body, which referred to both the emperor and the bureaucratic system as a whole. At the beginning of the Wanyan shu, Wang Anshi elaborates upon this view; he illustrates his lines of reasoning and demonstrates the coherence of his schematic vision for shaping the creativity and conformity of members of the political system. In short, his argument was that if policies for state intervention could follow the dao or the conception of the Former Kings, and if the rulers could build motivation to make policy participants follow the dao (rather than only the particulars of policies), the creativity and conformity of policy participants would be achieved.

In the Wanyan shu, Wang Anshi enumerates the problems that existed in contemporary institutions. In his critique, the contemporary institutional context had failed to shape the collective action and creativity of the bureaucrats. According to him, any rules that relied solely on coercive power without following the dao would fail to inspire policy participants. This failure would interrupt the formation of bureaucratic conformity and creativity because it would promote the pursuit of their private interests. Wang Anshi believed the weakness of the government was caused, and amplified by, the innate defects of the political system. The bureaucrats, the

literati, and other members of society silently rejected the strict compulsory regulations imposed upon them. The rejection of the laws gave way to informal customs that gave actors complete freedom to pursue private interests. These informal customs subverted the rule of the state, and rendered it incapable of innovative governance.

From Wang Anshi's perspective, coercive governance would fail to make policy participants conform to the goals of the court because bureaucrats could twist the state's policies and regulations to satisfy their own private interests. As a result even good policies would deviate from their original intention, thus disturbing the lives of the common people. Under such circumstances policy outcomes would be completely beyond the control of the court.[163] Moreover, t officials who acted on the basis of self-interest would be expected to subvert the system to pursue their own goals, even when crises occurred.[164] All these activities made the state more fragile and susceptible to crises.

Moreover, in Wang Anshi's view, the Northern Song state's political system had failed to build innovative mechanisms for policy creation because bureaucrats faced rigid regulation, ineffective personnel selection, and unlimited opportunities for corruption. The current government, Wang asserted, depended on superficial regulations, and lacked a solid institutional context to control officials. These superficial regulations seriously fettered officials' adaptability. Officials therefore had

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[163] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書," Wang Jingong wenji qianzhu shang 王荊公文集箋注上,24

[164] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書", 54

to cautiously obey regulations in order to avoid punishment. The regulations did not encourage them to seek means in which their administration could continually innovate in implementing the ways of the Former Kings.[165] Moreover, superior men who had pursued the way of the Former Kings would be punished according to regulations due to trivial mistakes.[166]

The civil service examination system for selecting the literati only evaluated candidates based on their literary skills or, in less prestigious tracks, their memorizationof extensive portions of the Classics. However, "those who really understand the ideas of the Former Kings and are capable of applying them in a practical manner to the problems of government are not to be selected by this procedure."[167] Moreover, since these people lacked the practical knowledge necessary for good governance, they were not allowed to remain in one office for any length of time. Naturally, under such circumstances, the rulers faced significant difficulty in finding individuals to fulfill any given position.[168] Incompetent officials also appointed similarly negligent men instead of choosing people devoted to the dao of the Former Kings.[169] These self-serving and convention-mired men formed an interest group for protecting themselves and their vested interests. When this group of literati occupied official posts at the central and local levels, they tended to "slavish

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[165] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書", 51

[166] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書" ,43

[167] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書",45

[168] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書", 51

[169] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書", 45

conventionality 因循." In order to achieve their private purposes, they resorted to "seeking to maker their superiors happy 取容" and "establishing private networks to cultivate their personal advantage 交私養望." Bureaucrats at different levels neglected collective action in the development of administrative tasks, and only pursued their personal interests. In such a system, the right way of conduct according to the dao was directly at odds with the self-interest of thes group of officials whomWang Anshi thought lived by "conventions 流俗." Since innovation would work against vested interests and long-standing conventions, many bureaucrats rejected and prevented the promotion of superior men.[170] Because the system allowed people to pursue their personal desires without restriction, people indulged their passions and spread rumors to attack anyone who could undermine their private interests.[171] Therefore, because these officials had no self-discipline and no practical knowledge of governance, they followed the safe choice of "convention 成俗," rejected innovation when faced with external crises, and purged talented individuals who wished to restore the way of the Former Kings.[172]

In the Wanyan shu Wang Anshi also expressed his vision of the ideal political order. The complete description of his view is as follows:

Internally, we cannot stop our anxious thoughts about the security of the

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[170] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書" 58; "閔習," Wang Jingong wenji qianzhu zhong, 1124

[171] Wang Anshi, "da Wang Shenfu shu er 答王深甫書二"Wang Jingong wenji qianzhu zhong 王荊公文集箋注中, 1223

[172] Wang Anshi, "Shang shenzong huangdi yanshi shu 上神宗皇帝言事書",51

country [in the sense of defense against rebellion]; externally, we cannot overcome our fears of the constant threat of barbarians on our borders. The resources of the country are rapidly approaching exhaustion, while the moral tone and habits of life among the people steadily deteriorate. On all sides, officials with the interests of the nation at heart fear that the peace of the empire may not last. What are the causes of those problems? My opinion is that this is the result of a prevailing ignorance of the proper way of governing.

[We all know that] the current laws are strict and regulations are complete. They cover everything. But why do I still say that we do not understand the proper way [of governing]? [I say this] because our current institution does not agree with the policies of the Former Kings. As Mencius says, "When a ruler is sincerely loving, and generally known to be so, but the effects of his benevolent disposition are not realized by the people in any adequate way, it must be because their way of governing has not imitated the dao of the Former Kings." The saying has accurately pointed out our current fault. Our age is distant from the age of the Former Kings. The changes we encounter and the situations we face are different from those of the Former Kings. The most ignorant can see that the complete revival of the concrete policies of the Former Kings is practically impossible. When saying that our fault lies in not imitating the policies of the Former Kings, I mean that we should imitate the yi of the Former Kings. The Two Emperors [Yao and Shun] and the Three Kings [Yu, Tang, and Wen] were removed from each other by a thousand years. Order and chaos followed one after the other, and periods of splendor and decline were fully present. The changes they encountered, and situations they faced were different, thus the measures they adopted varied as well. But their conception (yi 意) in governing society and state were always the same in [what they treated as] root and branch and [in what they did] first and last. I therefore say: we simply ought to imitate their conceptions. If we imitate their conceptions, then whatever changes and reform we make will not shock people and cause complaint, yet they will surely be in agreement with the policies of the Former Kings.

Though that is true, I am bound to admit that the present state of affairs is of such a character that even though your Majesty wishes to reform all affairs under heaven to fit the conception (yi) of the Former Kings, circumstances make this impossible …Why? Because human talent in society is inadequate. My observation leads me to suggest that there has never been such a scarcity of talented officials as exists today in the service of the state. It is possible that human talent is inadequate because they are hidden away in society and the contemporary rulers do not know this. I would say that although I have searched for the talented in urban corners and country yards, I have found very few indeed. Does this indicate that our methods for educating and perfecting the talented do not follow the correct way?

I would quote my own experience with local official life, for it adds weight to my argument that the talented people are inadequate. Within the circuits that extend several thousand li, I found very few officials who are able to carry out the court's policies. [Few officials] knew which policies should be implemented in piecemeal fashion and which should be carried out in a hasty way, [or how to] lead their

[subordinates] to fulfill their obligations to the state. On the contrary, those who are incapable, negligent, avaricious, and mean are innumerable. In some prefectures there is absolutely no one who is capable of clarifying the meaning (yi) of the Former Kings' policies and applying it to accommodate the current changes. Every time when the central court promulgates a policy, even if the intention (yi) of the policy is good, the officials still cannot realize [the intention] to benefit the common people. The clerks also take advantage of the policy to disturb the ordinary people.

[Given the above facts,] I therefore say that talented officials in governmental service are inadequate and talented people in grass-roots society are also very few. If the talented are not adequate, even if your Majesty hopes to reform all the affairs under the heaven to fit the conception (yi) of the Former Kings and even if there are some ministers in court who could apprehend your Majesty's intention (yi) and take the responsibility of facilitating your reform, there are still few people in the country who could apprehend your Majesty's intention (zhi 指) and realize it through concrete policies to benefit everyone in the country. I therefore argue that circumstances have made your plans impossible. As Mencius says, "Policy cannot operate automatically by itself [because the implementation of policy relies on the right people]." Does not this statement talk about our current situation?

To my mind the greatest need of the present time is the procurement of talented people. If the talented people in the country are numerous, then we can select those talented people for the right positions. When the officials in their positions have talent, then it was easy for the rulers to reform bad policies to follow the conception (yi) of the Former Kings depending on changing circumstances and based on the concerns of the people. Society nowadays is the same as that in the age of the Former Kings. The talented people in the age of the Former Kings were numerous, why are they inadequate today? I therefore say that the way in which we cast and complete human talent is not correct.[173]

Wang Anshi separated the process of governance into two areas: policy-making, and the dynamics of policy implementation. This separation can be seen in his quotation of Mencius, "policy cannot operate automatically by itself 徒法不能以自行." In his other writings, he also emphasized that the content of correct policies

[173] Wang Anshi, "Wan yanshu 上神宗皇帝言事書" ,21. This paragraph is translated based on the translations in H.R Williamson's Wang Anshi, A Chinese Statesman and Educationalist of the Sung Dynasty,(Westport: Hyperion Press Inc, 1935) ,49, Paul Smith's translation in Nenis Twitchett and Paul J Smith ed.,The Cambridge History of China V5 Part One: The Sung Dynasty and Its Precursors, 907-1279.(Cambridge: Cambridge University Press, 2009),359, and Peter Bol's translation and discussion that appeared in his two books, This Culture of Ours, 216-17, and The Neo-Confucianism in History, 67

could convey the dao. Therefore even in the implementation process, the policy may produce bad results. Such results, however, were not caused by the policy content, but by the people who implemented the policy. From this perspective, Wang Anshi built coherence between the policy (法) and the dao. The belief in coherence between the New Policies and the dao made Wang Anshi confident that the policy was correct. Such coherence in his mind was the first prerequisite for shaping the political order.

His next question focused on the issue of how to guarantee the successful implementation of policies in a changing social and political environment. For him, the key to answering this question was to build a policy-making and -implementing mechanism that could shape the conformity and creativity of policy participants. He repeatedly emphasized that good policy must be accomplished through its implementation process. On many occasions, even "if the intention (yi) of the policy is good, the officials still cannot realize [the intention] to benefit the common people." A good policy could easily become a tool for evil bureaucrats to satisfy their private interests at the cost of the common people's interests.

Therefore, Wang Anshi's focus was on shaping the "circumstance 勢" or the context in which bureaucrats could both follow the rule of the central court and adjust the policies to deal with actual changes. The first step in Wang's line of reasoning was his redefinition of correct policy. Wang Anshi argued that "dao" or "the conception of the Former Kings" determined the correctness of specific policies. He clarified that due to differences in the historical contexts in which policy makers and bureaucrats are situated, there should not be any single policy to resolve all changes. The content

of the policies should shift according to changes in the external environment.

Wang Anshi further argued that the dao or the conception of the Former Kings would not change. He explained, “the conception (yi 意) of the Former Kings in governing society and state were always the same in [what they treated as] root and branch and [in what they did] first and last.” How people think was thus crucial to their effective functioning and realizing their talent. Wang believed he knew how they should think, and that seeing the coherence in things at a higher order of abstraction was the way to make policy.

As his depiction in Wanyan shu shows, the political system was comprised of three categories of people.

> Those who follow the dao and obey the command [of heaven] without recognizing [the dao and command] are called the ordinary people. Those who have recognized that they are following the dao and obeying the command [of heaven] are called superior men. Only the ultimate spirit can achieve [the third stage] in which it follows nothing but makes all things follow the dao, and it obeys nothing but commands all things.[174]

Different levels of apprehension of the dao determined people’s different statuses in the political system. The difference between ordinary people and superior men lay in their awareness of the existence of dao in their mind. Although ordinary people could not realize the dao consciously, they could still follow the dao. The superior men realized the dao and aspired to learn it, but their apprehension of the dao was incomplete. Therefore the superior men should be organized by the emperor, who

[174] Wang Anshi, "Hongfan zhuan 洪範傳", 994

had the ultimate spirit and fully grasped the dao. The ordinary people should then be organized by the superior men, who had recognized the dao of the ultimate spirit. Wang Anshi believed that conformity and creativity meant different things to these people. As a result, measures to shape conformity and creativity should also be different.

Wang Anshi saw the emperor as the only authority who could grasp the complete dao. The conception of the Former Kings in the Wanyan shu's discourse was no different from that of the emperor in the real political process. For example, Wang Anshi says that "If the talented are not adequate, even if your Majesty hopes to reform all the affairs under the heaven to fit the conception (yi) of the Former Kings and even if there are some ministers in court who could apprehend your Majesty's intention (yi) and take the responsibility of facilitating your reform, there are still few people in the country who could apprehend your Majesty's intention (zhi 指) and realize it through concrete policies to benefit everyone in the country." Here he depicts a reform process in which the emperor's intention was consistent with the conception of the Former Kings. The emperor in Wang Anshi's design had to obey the dao rather than deciding everything arbitrarily. On the other hand, Wang Anshi took the emperor as having the authority to judge which policies followed the dao in the formal governing procedure. As he was the only authority who had fully grasped the dao, the intention of the emperor should be followed by bureaucrats. But the emperor should guarantee that his conception in making those policies had followed the conception of the Sages.

By what means could the emperor prove that he was in accord with the Sages'

conception? The New Policy makers did not provide an answer to this question. As Chapter Five will show, in the real policy process, the emperor repeatedly emphasized that his policies would simultaneously increase social productivity and raise state revenue. Even if he was demanding that bureaucrats increase the revenues due to hi consideration for national security, he could still claim that such an action could not be called as deviating from the conception of the Sages because according to the conception of the Sages, revenue collection was not in conflict with social protection. The Sages had integrated both into a coherent policy process and achieved them simultaneously. The above quotation shows that by the New Policy makers' line of reasoning, the emperor was not at fault in making policy even if he could not achieve those two goals. In such a line of reasoning the only task for the emperor was to make the bureaucrats know his intention and build material incentives to stimulate their enthusiasm. The bureaucrats were then responsible for making the great effort to achieve those goals. Even if mistakes emerged in the policy implementation process, blame would not go to the emperor, because he had done all he needed to do. The New Policy makers' interpretation of dao therefore set limits on the emperor only in theory. In practice it provided the emperor with the theory to legitimate his pursuit of the goals different from the stated "root 本" for ruling and shift responsibility to the local bureaucrats. The bureaucrats therefore gained more autonomy but also faced more pressure from the emperor because they were assigned with responsibility for policy failures.

The category of superior men, or the worthy, referred to those who had grasped the dao under the guidance of the emperor. Based on his first understanding of the dao, Wang Anshi pointed out that bureaucrats had the innate faculty to apprehend the dao, or the conception of the Sages and the emperor. His scheme therefore was to realize their potential through educating them. The main goal of the Wanyan shu was to “cast and complete” this category of bureaucrats by “instructing” them through state schools, “nurturing them” through rites and laws, “selecting” them through a complete evaluation system and “employing” them through long-term tenure. Wang Anshi called this a long-term and progressive program, which differed from the reward and punishment institutions that he suggested the emperor use temporarily. Wang Anshi also stressed that the emperor should appoint officials who had recognized the conception of the Sages to a stable tenure. The trust between emperor and officials was based on their common understanding of the Sages' conception, and such trust was fundamental for guaranteeing the officials' tenure in certain offices.

According to Wang Anshi, the emperor should give the bureaucrats who had apprehended the conception of the Sages free space to make policy. The bureaucrats’ innovation in the policy process should conform to the emperor's intention. Wang Anshi in the above quotation equaled the conception of the emperor with that of the Sages. In practice, however the emperor’s intention could be in conflict with the doctrine of the Classics, even though the emperor claimed coherence between them. The bureaucrats therefore faced great difficulty in choosing between priorities. For example, the emperor informed the bureaucracy that he wanted to increase revenue,

but this goal would potentially damage the goal of increasing popular welfare because the bureaucrats would squeeze more resources from the common people to raise funds. Guided by the New Policy makers' worldview, the bureaucrats should not only prove that they had apprehended the emperor's goal of increasing revenue but should also prove that their achievement of this goal would not damage the social welfare.

The New Policy makers provided a theory for the bureaucrats to prove the possibility of attaining both goals. The bureaucrats therefore keep on increasing revenue quotas to show that they had apprehended the emperor's intention, while on the other hand, the court also shifted the responsibility to lower-level bureaucrats. The policy makers only focused on building material incentives and delegating the power of deciding market strategies to their subordinates. They did this because their political philosophy had assumed that those measures would be sufficient for achieving the coherent conception of the Sages. Guided by such a belief, the bureaucrats did not feel pressed to accumulate knowledge to explain the actual changes in the economic system. Neither did they focus on the real difficulties that the lower level bureaucrats had constantly encountered in dealing with market changes. Their political belief gave them confidence but also blinded them from seeing and resolving the complicated market changes. Their only concern was to prove that they could simultaneously achieve both the emperor's goals and the conception of the Sages, because only by proving that were they able to gain the trust from the emperor and guarantee their continued employment in office. However they could only prove that in theory. In practice, they still failed to achieve those goals.

The third group of bureaucrats referred to those who had no recognition of the intention. Wang Anshi's second understanding of dao provided him with a line of reasoning for dealing with this group of bureaucrats. Wang Anshi identified self-interest as the enduring feature of people's habitual conduct. For him, the key was to establish an institutional environment that could guide such self-interest onto a track that could lead the political system to follow the dao. The ruler needed only to build incentives to stir the enthusiasm of the people, rather than providing them with professional knowledge on dealing with economic change.

In the passage from the Wanyan shu cited above, Wang Anshi distinguishes this group of people, noting that "Within the circuits that extend several thousand li, I found very few officials who are able to carry out the court's policies… On the contrary, those who are incapable, negligent, avaricious, and mean are innumerable. In some prefectures there is absolutely no one who is capable of clarifying the meaning (yi) of the Former Kings' policies and applying it to accommodate the current changes." The main goal for this bureaucratic group was to carry out concrete policies made by the rulers who grasped the conception of the Former Kings. In his Wanyan shu, Wang Anshi made a clear distinction between the long-term scheme for enlightening the literati's apprehension of the dao and the short-term plan by which the policy makers could guide people to their intention through material incentives.[175] He saw the latter as an immediate way to achieve the intention of the rulers. As he explained, all people wanted to gain good reputations, honorable official titles, and

[175] Wang Anshi, " Shan Renzong huangdi yanshi shu," Wang Jingong wenji qianzhushang, P60-61

great wealth. The ruler should use these as incentives to make people follow his intention. Wang Anshi was confident that the ruler would attain his goal if he could establish the proper material incentives. Moreover, the ruler should also severely punish those who dared to disobey the policies. People's fear of punishment would motivate them to follow the mind of the ruler.[176] These measures are similar to Wang Anshi's discussion of the same issues in his other writings, such as his commentary on the Great Plan. The goal was not to make the bureaucrats apprehend the conception of the Sages or the emperor, but to make them do what the rulers wanted them to do.

The New Policy makers' political philosophy did not, however, provide any useful knowledge to instruct those low level bureaucrats in how to overcome difficulties they would encounter in the course of market intervention. As Part Three will demonstrate, the real challenges faced by those bureaucrats included the shortage of capital, their absence of market knowledge, and their weak capacity in managing markets and operating businesses. These bureaucrats did not know how to overcome such difficulties. The only instrument they could employ was their political privilege. They therefore abused their power in ways that damaged the market order and betrayed the goals proposed by the New Policy makers. Those policy makers rigidly stuck to a laissez-faire attitude toward these bureaucrats and overlooked the unexpected consequences.

In short, the fundamental assumption behind Wang Anshi's design for a

[176] Wang Anshi, " Shan Renzong huangdi yanshi shu," Wang Jingong wenji qianzhushang, Pp57-58; Pp108-09

political order was his understanding of people's innate faculty to find the best way to deal with external changes. Different from Neo-Confucianists such as the "Left Wing" of Wang Yangming's school in the Ming dynasty, Wang Anshi did not argue that people's minds were self-sufficient to lead them automatically to find the correct way of behaving[177]. Rather, he thought that the institutional environment was necessary for guiding people toward the right path. Such an environment included the Classics that contained the dao, education institutions, and reward and punishment measures that provided material incentives to policy implementers. On the other hand, Wang Anshi also believed that once such an environment had triggered a real impact on bureaucrats' minds, their human nature would automatically lead them to behave in a correct, collective and innovative way. Such a belief caused the drafters of the New Policies to continually reinforce the political education and material incentives in their regulation of policy deviations. They overlooked the issue of how to resolve concrete problems that emerged differently in each stage of the policy process. The following chapters will show how such a "limited regulation" resulted in the New Policy makers' failure to organize social and political actors.

[177] Peterson, Willard J. "Confucian Learning in Late MingThought." In The Cambridge History of China, vol. 8, edited by Denis Twitchett and Frederick Mote (Cambridge: Cambridge University Press, 1998), 708-788.

PART TWO
The Intellectual Origins and Political Consequences of Debates on the Rural Credit Policy (1069-1071)

The specific political distinction to which political actions and motives can be reduced is that between friend and enemy
----Carl Schmitt[178]

Introduction

In Part Two we will discuss how state intervention in the rural credit market, known as the Green Sprouts Policy 青苗法, provoked great debate among the political elites at court in the first three years of the Reform Era (1069-1071). The result of these debates was the construction of factional alliances, the clarification of irreconcilable attitudes between factions, and the purge of critics from decision-making circles. The state's subsequent policy reflected the worldview of only one faction, as policy makers failed to organize the perspectives of different groups into a state policy that transcended the interests and beliefs of the different factions, or to fully respond to problems that occurred in the policy implementation process. The sort of state autonomy that had been illustrated by policy makers' unbiased incorporation of different opinions, full responsiveness to policy feedback and strong capacity to shape collective choices disappeared from the policy formation mechanism after 1071.

In his statement quoted above, Carl Schmitt implies that the distinction between friend and enemy is the innate and permanent feature of any power process. My work

[178] Schmitt, Carl. The Concept of the Political. Translation, Introduction and Notes by Geoge Schwab with Comments on Schmitt's Essay by Leo Strauss. (New Brunswick and New Jersey: Rutgers University Press,1978),26

in this section will illuminate the intellectual origins of that distinction in the context of this period in the Northern Song, and the historical mechanisms through which political actors constructed that distinction. I will discuss why both sides of the debate adopted despotic methods of settling their debate rather than cooperative deliberation to resolve such policy problems, culminating in the expulsion of critics from the court. There are several puzzles that we must address. Why did this economic policy cause an unprecedented wave of political purges at the court, rather than agreement on a search for economic solutions? Why did the critique of real problems in the policy implementation process cause such irreconcilable differences of opinion? Why did both sides of the debate eventually choose exclusion, even though some historical agents in other situations had practiced tolerance? Why did debates on economic policy lead to the construction of factional lines as a way to resolve conflict?

Promulgated in the ninth month of 1069, the Green Sprouts Policy created a nationwide state-run rural credit system. The bureaucrats at circuit, prefectural, and county levels made interest-bearing loans, called "green sprout" cash, to farmers either in the summer and fall before harvest, or at other times in the year according to local circumstances. The central government delegated the power to decide the time of repayment to the Stabilization Fund Supervisorate 提舉常平 at the circuit level. Borrowers were required to repay these loans after the summer or fall harvest, after paying their taxes. They could freely choose to repay in cash or in grain, as convenient. The government charged twenty to thirty percent interest, varying in

accordance with the exchange rates between money and grain. Moreover, the government organized guarantee groups of five families, in which a landowning household was made guarantor for its tenants, and their collateral was subject to confiscation in the event of inability to repay their loans. These loans were also made available to urban residents who held property or businesses, and to the wealthier rural households of grades one through three. However, critics argued that the court was loaning money to market actors whom the New Policy makers had originally labeled as "engrossers."

The deep influence of the Green Sprouts Policy over state structure is evinced by the way it reshaped the bureaucratic apparatus. At the central level, Wang Anshi created a new agency, the Finance Planning Commission 制置三司條例司, which he directly controlled under the supervision of Emperor Shenzong. This agency not only set general policy rules, but also adjusted detailed regulations based on the feedback it received from local governments. The Stabilization Fund Supervisorate at the circuit level, together with the Fiscal Commission 轉運司 and the bureaucrats selected by the controller-general 通判 at the prefectural level of government, decided the amounts of the loans based on their calculation of the actual amount of reserves. They also took charge of the loan process at the local level. The magistrate and the leaders of the guarantee groups below the county level were responsible for guaranteeing that the quota set by the superior agencies could be met and the loans repaid.[179]

[179] SHYJG shihuo4/15

In Wang Anshi's view the Green Sprouts Policy was not simply an amalgamation of concrete loan policies, but a coherent whole that followed the dao of the Former Kings. The concrete policies represented the principles that the Former Kings had adopted in their governance. Wang Anshi himself admitted that the concrete policies that the contemporary government implemented could not simply be copied from the policies of antiquity, because the situation had greatly changed. The key step in proving that the Green Sprouts Policy was of the same character was therefore to illustrate that the contemporary policy and the policies of Former Kings followed the same dao. The dao was not abstract, as it entailed specific policies of the Former Kings that could be found in the Classics. Wang Anshi made great effort to show that the policies preserved in the Rites of Zhou represented the same dao as the contemporary policies, despite some ambiguity in the literal meaning of some expressions in the Classics addressing the sage's policies. When Wang Anshi elaborated upon the central intentions of the Former Kings in developing economic policy, he clarified the intention of the Green Sprouts Policy as follows:

> If the [Green Sprouts Policy] can be implemented, not only will our country sufficiently address the threat of famine, but also, because the people have received these loans, they will not fear shortage of food when doing agricultural work. Based on [these benefits], we can select officials to encourage them to build irrigation works. Agricultural affairs will be improved. The farmers have become poor and exhausted after their old grain has run out and before the new harvest is yet in. The engrossers have taken advantage of people's urgent need [for money and grain] and asked for exorbitant interest on loans. The borrowers have suffered because the only loans available had high interest. The holdings of the Ever Normal Granaries were distributed to the poor only in years when the harvest was insufficient and the food prices high, and the people who received such benefits were mostly the urban idle. The new policy

> aims at adjusting the unequal distribution of goods within the circuit. The policy would grant low interest loans while also increasing the storage [of the Ever Normal Granaries]. The policy could also regulate prices. The achievement of these goals would enable farmers with financial resources to decide their agricultural affairs according to the season. The engrossers could no longer take advantage of the farmers' urgent need for money and grain. All these measures are made for the people. The government will not increase its income. The new policy therefore follows the principle of the Former King's policies, as the government of the Former Kings distributed benefits to increase agricultural productivity, to subsidize agriculture through collecting loan interest, and to take resources from the rich to help the poor while repressing the unrestrained earnings of the engrossers.[180]

Wang's own discourse in articulating the relationship between the contemporary Green Sprouts Policy and the Former King's policies illustrates the way in which he understood and interpreted the Green Sprouts Policy. He never treated the policy simply as a collection of concrete articles. Instead he viewed the policy as a single whole, and in summarizing the essential components of the policy and revealing the concepts that these components conveyed, he demonstrated its unity with the Former Kings' principles.

In Wang Anshi's view, the essential contents of the policy were the stripping of power from the hands of engrossers, and the return to government control of the privileges of regulation over pricing and distribution. If the government held such power, it could better monitor and control the inequalities between different social and political groups. This redistribution of resources would inspire the originally disadvantaged social groups to increase their productivity. By providing farmers with the choice to repay their loans in either grain or money, the government and the farmers would be able to work together to determine grain prices on the basis of local

[180] HSTJCBJSBM v66. "Sansi tiaoli si feizhi 三司條例司廢置"

market demands and economic activities. This ability to negotiate would allow the government to strengthen its authority over the ratios of exchange. The goal of this policy was twofold: it allowed the government to increase its capacity for social relief, and it regulated wild market fluctuations.

Wang's plan allowed the government a monopoly over the power of resource redistribution within society. By taking resources from some parts of society and redistributing them, the government could increase the wealth of the entire society, in accordance with the principles of the Former Kings (as explained by Wang Anshi's own interpretations of the Classics). The achievement of such a governmental function would have to be based on a definitive scope of governmental power in the economic sphere. Wang Anshi took scope to be the power of "adjusting the ratios of exchange as well as that of collecting and disbursing money and goods (輕重斂散之權)." Wang Anshi in his commentary on The Rites of Zhou explained that the Treasury officers (泉府) in the classical age had successfully monopolized this power without the fear of influence from other circles.[181]

In Wang Anshi's own day, however, this policy raised great opposition among those close to the court. Its opponents include Chen Shengzhi, Zhao Bian and Zeng Gongliang, the Grand Councilors and Vice-Grand Councilor, as well as other high-level policy makers. Su Shi and Sima Guang were Attendant Officials who had the responsibility to directly express their opinions on state policy to the monarch. Although Han Qi was appointed as a local official, his former rank as Grand

[181] Cheng Yuanmin, Sanjing xinyi jikao huipingshang xia 三經新義輯考彙評下, 213

Councilor, his close personal relationship with Emperor Shenzong and his high titular status retained great influence over the monarch. Other critics belonged to the Censorate and Remonstrance Bureau, which had the special duty of criticizing policies, official appointments, and the personal conduct of the monarch and his officials. They were in the central circle of policy-making because their opinions on policy would be taken seriously by the monarch and other high officials. (see Table 1).

All of these people's distinctive positions in the bureaucratic system offered them the privilege to submit memorials directly to the monarch discussing major policies and governing principles. Emperor Shenzong personally read their memorials and occasionally consulted with them on these issues. In the Northern Song bureaucratic system these privileges distinguished them from ordinary bureaucrats who could only implement policies, rather than discuss them with the monarch.

Table1

Name	Governmental Posts
Sima Guang 司馬光(1019-1086)	Administrator of Bureau of Personnel Administration and Hanlin Academician Reader-in-waiting 翰林侍讀學士、知審官院
Su Shi 蘇軾(1037-1101)	Auxiliary in the Historiography Institute and Administrative Assistant of the Kaifeng Superior Prefecture 直史館、開封府推官

Cheng Hao 程顥(1032-1085)	Acting Investigating Censor 監察御史裏行
Chen Xiang 陳襄(1017-1080)	General Purpose Censor 侍御史知雜事
Zhang Jian 張戩(1030-1076)	Acting Investigating Censor 監察御史裏行
Han Qi 韓琦(1008-1075)	Supervisor of Daming Superior Prefecture 判大名府
Sun Jue 孫覺(1028-1090)	Exhorter of the Remonstrance Bureau and Imperial Diarist 右正言、修起居注
Li Chang 李常(1027-1090)	Exhorter of the Remonstrance Bureau 右正言
Lu Gongzhu 呂公著(1018-1089)	Censor-in-Chief 御史中丞
Chen Shengzhi 陳升之(1011-1079)	Grand Councilor 同中書門下平章事
Zeng Gongliang 曾公亮(999-1078)	Grand Councilor 同中書門下平章事
Zhao Bian 趙抃 (1008-1084)	Vice-Grand Councilor 參知政事

The policy's opponents included some of the most important political thinkers of the mid-eleventh century, who also had great influence over the Chinese tradition of political philosophy. These figures include Sima Guang, Su Shi, Cheng Hao, Chen Xiang and Zhang Jian. These people had established a systematic vision of a political order in which policy participants undertook collective action to respond to external changes in ways that were consistently correct because they integrated concepts such

as dao, human nature, self-interest and wen into their lines of reasoning. These lines of reasoning illustrated the validity of their logics of state-building, all of which pointed to the same goal of shaping collective action and adaptive governance. Their debate with Wang Anshi was not over whether the government should involve itself in social affairs, but over how it should do so in a manner conductive to the good of society. An in-depth study of their intellectual frameworks will illustrate how mid-eleventh-century Chinese political philosophers presented different possible schemes for building the state. In Chapter two we will show how these figures tended to address similar questions as Wang Anshi regarding the way of ruling, but provided different answers to those questions.

In this chapter, we will also focus on the debate over rural credit policy at the initial period of the New Policies' formation and implementation, showing that the debaters' different opinions about this policy can be explained by their systematic visions of political order. This argument distinguishes our study from other approaches explaining the dynamics that gave rise to conflicting policy alternatives. In our view, the policy debate does not show the debaters deploying their illocutionary force to compete for material interest. Neither does it simply illustrate controversy in designing concrete plans about how to strengthen the societal intervention of an activist state. Instead, we illustrate how these eleventh-century Chinese intellectuals formulated their own lines of reasoning to connect concepts such as human nature, dao, moral principle, self-interest, wen, emotion, and social custom, all which have been interpreted variously in Chinese intellectual history. The logical framework of

the New Policies' designers gave them confidence that the Green Sprouts Policy represented the only choice that could overcome all the crises the dynasty was facing. They believed it would eventually gain support and obedience and bring the people wealthy, harmonious and promising lives. Critics, however, posited that the New Policies were leading the state and society into the darkness of poverty and disorder.

We will argue here that the New Policies' economic plan of state intervention and its repercussions in the intellectual world are the products of the ontological diversity that had long existed in the tradition of Chinese political philosophy. Our study therefore goes beyond the specific policies to explore how different ways of thinking determined historical actors' perception of the situation, their use of facts to buttress their lines of reasoning, and their adaptation of these lines of reasoning to design and judge policies. From this perspective, the state intervention process did not always adhere to the rationale of its designers, but rather became an intellectually interactive process in which the perceptions and responses of other participants had unintended effects on the policymakers' plans.

The lines of reasoning that policy makers navigated for judging the new policies were defined by the intellectual landscape in which they lived. Chapter three will show how the paradigms that both sides used to explain policies and justify their positions eventually led them into a deadlock that excluded any possibility of coordinating their different views to revise the Rural Credit Policy. In particular, I first discuss how their views on disciplining the self-interest of policy participants shaped

their fundamentally different predictions of the policy's outcomes. I will further discuss how the reaction of Wang Anshi to their critiques motivated his critics to use the issue of "public opinion" to argue against him. I will then discuss how such a view directed the attention of each side to the factional alliances of the other. The policy opponents' self-conception of their factional identity led them to collectively resign from their positions. The policy-makers' views on building an institutional context to discipline people's minds also motivated them to expel their critics from positions of power. Even Emperor Shenzong had to give up his original intention of accommodating different views. This historical mechanism led the agents to accept one alternative while abandoning the other. Policy debates led to the construction of factional lines by both sides of the debaters, and the collective purge of opponent factions from the court. The narrowness of the worldviews of both sides shaped the despotic tendency in conflict resolution among the political elites at the court.

CHAPTER TWO
The Intellectual Origins of the Debates on the Rural Credit Policy (1069-1071)

In this chapter I focus on the critiques of the Green Sprouts Policy that were articulated by Sima Guang, Su Shi, Cheng Hao, Chen Xiang and Zhang Jian. These figures not only had great influence over the Chinese tradition of political philosophy but also actively engaged in the debates on the Green Sprouts Policy during the initial stage of the New Policies period. In their critiques they challenged nearly every aspect of the Green Sprout Policy. They firmly believed that the innate policy defects were impossible to overcome and the failure of the Green Sprout Policy was predestined By situating the critiques within their systematic visions of political order, I argue that the critics' beliefs guided them to reject the whole policy, even though their critiques only focused on certain of its aspects.

Shaping Mentality according to Political Hierachy: Sima Guang's Critique of the Green Sprouts Policy

In designing the ideal political order, Sima Guang focused on two categories of people. The first category referred to the superior men who made policy. Sima Guang required that such men cultivate their morality and achieve the achieve the state of inner equilibrium (or centrality) and harmony called "zhonghe 中和." The second category referred to the bureaucrats and common people whose behavior in the policy process was guided by their self-interest. Sima Guang had no ambition to transform

such people's minds as he did for the superior men. He thought that the policy makers should establish an institutional environment to shape their obedience to their roles in a political system that was hierarchical and functionally divided. His critique of Wang Anshi was guided by these two lines of reasoning. He believed that Wang Anshi had deviated from the ideal mental state in making his policies. The Green Sprouts policy and the means through which Wang Anshi implemented this policy would both cause the policy participants to stray from their previous submission to their roles in the political system. The policy therefore was wrong and its implementation would damage the economic order.

The mental state of the drafters of the New Policies

In Sima Guang's view, the policy makers' mental state determined the quality of the policies they made. He saw Wang Anshi as far from an ideal mental state, and he thought that Wang's self-indulgent claim to discovery of the dao made him deviate from the actual dao. This mental state meant that the Green Sprout Policy also betrayed the dao. In his famous correspondence to Wang Anshi in 1070, Sima Guang elaborated this argument. He wrote,

> Taking power away from the current offices will disturb the government. However, you (Wang Anshi) regarded such a measure as the correct way of governing and gave priority to its implementation. The interest-bearing loan [in the Green Sprouts Policy] is a trivial affair. However, you took it as the policy of the Former Kings and devotedly pushed forward with it. Corvée labor had been the duty of the people since antiquity. However, you collected money from people to employ other services. Even the common people know that these three policies are not good; only you think they are good. It is not because your intelligence is inferior to that of common people. You simply want to pursue unusual achievements, and therefore have overlooked the

> common people's knowledge. The dao of the August Ultimate is applied to the heaven and earth. People [exist within it] without even momentarily getting away from it. …Your intelligence and worthiness are beyond that of the common people. But your shortcomings are the same as those of men who do not reach the common level .This is why I say your have gone too far.[182]

In Sima Guang's view, Wang Anshi treated the dao as a mystery that common people could not understand and follow unless Wang enlightened them. Sima Guang totally rejected this proposition since he took the dao as an inescapable principle; people exist " without even momentarily getting away from it." In other words the dao was present in common people's daily activities, and was not reserved for the autonomous political system. In many of his writings, Sima Guang repeatedly emphasized that the dao referred to virtues that guided common people's daily conduct. For example, in his correspondence with Han Wei (1017-1098), a Grand Councilor in Shenzong's reign, Sima Guang held that the dao was the path that people should follow in their everyday lives, signifying a moderate and balanced way of responding to daily affairs that all people have to face.[183] People could learn and practice the dao anytime they wanted.[184] Sima Guang did not think it was rare for people to know the dao.[185] The difficulty, however, lay in the process of fully implementing knowledge as conduct. Sima Guang therefore criticized Wang Anshi's

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[182] Sima Guang, "Yu Wang Jiefu shu 与王介甫書"Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4, (Chengdu: Bashu shushe, 2009),553-54

[183] Sima Guang, "Da Han Bingguo shu 答韓秉國書," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 88

[184]Sima Guang, "Da Huaizhou Xu Fengshi xiucai shu 答懷州許奉世秀才書" Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,76

[185] Sima Guang, "Da Kong Wenzhong sihu shu 答孔文仲司戶書," 546

effort to construct a new discourse for interpreting the dao, which he saw as a deviation from the real dao.

Unlike Wang Anshi, Sima Guang denied an omnipotent mental state that could enable bureaucrats to resolve all kinds of challenges. Such a utopian mental state in Sima Guang's view was unrealistic and meaningless. He believed that if superior men wanted to accomplish their self-cultivation, they should go beyond knowing the dao. Having real "ethical conduct 德行" should be the key standard for evaluating people's attainment of the dao. It would not be difficult to know what conduct is ethical since everyone is rational enough to judge other people's actions; for example, Sima Guang suggested that the distinction between petty and superior men was easily recognized even by observing how they play games. Unlike the superior men, who are attentive, consistent and calm, the petty men "bend over their bodies and swing their arms. They resort to cunning strategies. Even if they win just by luck they don't feel ashamed."[186]

The difficulty of following the dao lies in living up to one's knowledge. Sima Guang designed a procedure that the superior men could follow in their daily activities. He regarded cultivation of the mind as the key step for people to achieve the dao, the goal being to achieve the inner equilibrium (or centrality) and harmony called "zhonghe 中和." As Sima Guang explained, zhong (centrality) exists in people's minds before pleasure, anger, sorrow and joy have been aroused. When these emotions are aroused, and all attain their due measure and degree, this is called he

[186] Sima Guang, "Touhu xinge xu 投壺新格序," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 144

(harmony).[187] When people achieve this state, they do not indulge the emotions of pleasure, anger, sorrow and joy, or let these emotions disturb the innate equilibrium and harmony.[188] Their mind is not controlled by the prejudice that selfish interests cause.[189] As Sima Guang explained it, in facing changes in the material world superior men were "steadfast and keep their minds in a state of absolute quiet. They are respectful and keep their appearance unchanged. They are not cowards before victory. They are not arrogant after victory."[190] This state does not mean that the superior men extinguish their feelings, but that they can maintain a state of unity while dealing with change.[191] Sima Guang emphasized that the normal situation for people is that they can think clearly about right and wrong, but cannot necessarily respond in a harmonious and impartial manner because they cannot resist temptation from the external world.[192]

Sima Guang believed that superior men could achieve a perfect mental state through self-training, such as focusing their attention on the work they wanted to do,

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[187] Sima Guang, "Zhong he lun 中和論"Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,349

[188] Sima Guang, "Zhong he lun 中和論"Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 350

[189] Sima Guang, "Da Han Bingguo shu 答韓秉國書," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 87

[190] Sima Guang, "Touhu xinge xu 投壺新格序," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 144

[191] Sima Guang, "Da Han Bingguo shu 答韓秉國書," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 87-88

[192] Sima Guang, "Zhizhi zai gewu lun 致知在格物論," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,344

making their attitudes devoted and serious, and changing their intentions to be objective and correct.[193] People should especially get rid of their desire to pursue material interests.[194] He emphasized that people should not trust themselves too much or insist on clinging to their own intentions. According to Sima Guang, people's minds should exist "without pretense, without certainty, without inflexibility and without egotism." If people are not egotistical, then they will be impartial. Such impartiality would lead them to follow zhonghe. In situations where people intentionally do good things, they may also indulge temptation and deviate from harmony and equilibrium. The Sages therefore only spontaneously followed the rites without purposely trying to be virtuous.[195]

In order not to be partial, superior men should also learn from the creation of the human and natural worlds. According to Sima Guang, action guided by personal feelings but not thought will likely deviate from the dao.[196] People should "ground the [dao] in heaven-and-earth, examining it among the Former Kings, taking evidence from Confucius, and verifying it in the present." And "When these four are in perfect agreement and one tries to progress, then in anything that his knowledge reaches or his strength matches, no matter the distance or the size, he will not lose the

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[193] Sima Guang, "Touhu xinge xu 投壺新格序," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 144

[194] Sima Guang, "Zhizhi zai gewu lun 致知在格物論," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,344

[195] Sima Guang, "Jue si lun 絕四論" Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,460

[196] Sima Guang, "Da bingguo dier shu 答秉國第二書," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,93

correctness of dao.[197]" Within this process, "sincerely (cheng)" thinking about other people's critiques and suggestions helps people attain the dao. Even worthy people with superb intelligence avoid making mistakes through advice. Unlike Wang Anshi, Sima Guang did not take the mysterious process of cultivating the shen as the step to sagehood. He emphasized that it was worthy people's thinking and consideration of other's suggestions that made them become sages.[198]

As his correspondence with Wang Anshi illustrates, Sima Guang believed that Wang Anshi's failures lay in his deviation from the perfect mental state. Sima Guang praised Wang Anshi as a great worthy man who was upright, with a strong will.[199] He sincerely praised Wang even after breaking off their friendship due to their different opinions on the New Policies.[200] Sima Guang's recognition of Wang Anshi's personal merits did not, however, change his view that Wang was too stubborn. Wang Anshi easily became angry when people had opinions different from his own. He insisted on his own opinion, defending it and refusing any suggestions.[201] According to Sima Guang, Wang only cared about finding new and esoteric things from the Classics. He had too much confidence that he had discovered the dao and therefore forced other

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[197] Sima Guang, "Da Chen Chong mijiao shu 答陳充秘校書," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4,525. English translation comes from Peter Bol, This Culture of Ours, 224

[198] Sima Guang, "Da bingguo dier shu 答秉國第二書," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5, 93

[199] Sima Guang, "Yu Wang Jiefu shu 与王介甫書"Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4, (Chengdu: Bashu shushe, 2009),553, 555

[200] Shao Bowen, Shaoshi wenjianlu 邵氏聞見錄 v11

[201] Sima Guang, "Yu Wang Jiefu shu 与王介甫書"Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4, (Chengdu: Bashu shushe, 2009),555

people to follow him. His learning contributed little to people's ethical conduct because it ignored people's actual feelings and concerns in daily life.[202] Sima Guang implied that Wang deviated from internal harmony and equilibrium. His self-indulgence and stubbornness made him ignore the actual situation of right and wrong, the concerns of the common people, and the real crises that the country faced.[203] Sima Guang wrote that Wang Anshi's way of thinking and personality caused policy to drift away from the dao.

The mental state of the policy implementers

Besides the moral standard for the policy makers, Sima Guang also described the ideal mental state of other policy participants. He fully accepted the variety of people's capabilities and moralities, arguing that it had no negative influence over the political system's capacity to make and implement policy if people could willingly accept their roles as bestowed by the political hierarchy. Sima Guang took the "guideline 纲纪" as the determining factor for maintaining the stability of the political system. In Sima Guang's thought, the establishment of such guidelines not only referred to the building of objective formal rules that gave people proper roles, but also implied people's perception of their position in this hierarchy, recognition of their responsibility to protect this hierarchy, belief in the legitimacy of this hierarchy, and true obedience to the rules of this hierarchy.

In Sima Guang's thought, the successful operation of the hierarchical system

[202] Sima Guang, "Qiqing kechang zhazi 起請科場劄子," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4, (Chengdu: Bashu shushe, 2009), 274

[203] Sima Guang, "Yu Wang Jiefu shu 与王介甫書"Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4, (Chengdu: Bashu shushe, 2009),562

could not solely rely on political enforcement. He took the participants' true submission to the hierarchy as the determining factor for maintaining its operation. Such obedience originated from the habits that people acquired through their activities and experiences in the daily life. As Sima Guang explained, if people could see the rules every day from morning to night, then their minds would become used to such rules. They would truly believe that the rules were most suitable to them. Then once some leaders tried to change the rules, people would not follow the changes.[204] Sima Guang quoted a sentence from the Book of Changes to describe people's stable mental state: "the superior men employed rules to make the distinction between the superior and subordinate; and then people became accepting of this order." For him, such mental stability ensured the submission of the subordinate political and social groups to the superiors' rule. Once people had formed their obedience to the rules, the king could establish guidelines for the whole country.[205]

Sima Guang also emphasized that ethical conduct had a decisive influence on people's commitment to a hierarchical system and adherence to its policies. Although people's talents were important for implementing policies, virtues such as loyalty and trustworthiness were fundamental to the continuation of the political hierarchy. Without such virtues, talent alone would threaten the existing political order: talent

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[204] Sima Guang, "Jinxi shu 謹習疏," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 3,162

[205] Sima Guang, "Jinxi shu 謹習疏," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 3 ,163

itself did not produce loyalty.[206] Solely relying on talent could even cause the demise of the state and families.[207]

Although disagreeing with Wang Anshi's claims that the dao could be discovered and naturally apprehended by the people, Sima Guang implicitly agreed on the common rationale that all people had to recognize their positions and responsibilities in the political system. He accepted that such a mindset built the psychological basis for people's obedience to the political hierarchy. Sima Guang distinguished this mindset from people's pursuit of self-interest. Chasing self-interest would provoke people's ambition to challenge the order.

Sima Guang emphasized that the institutional environment had a decisive influence on the subjects' identification with the political structure. However, the New Policy makers failed to build such an environment. As we have mentioned, Wang Anshi established new institutions such as the Finance Planning Commissions, which took away some power from the original Finance Commissions and circuit bureaucratic agencies. He also broke personnel management routines and promoted lower-ranked bureaucrats who could efficiently implement his policies.

Sima Guang totally upended Wang Anshi's claims. He believed that Wang Anshi's institutional design would seriously weaken the regime's political foundations because it greatly changed the power distribution among different governmental agencies. Wang Anshi's creation of new bureaucratic agencies ranging from the

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[206] Sima Guang, "Caide lun 才德論" Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,300

[207] Sima Guang, "siyan ming xishu 四言銘系述," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 5,249

Finance Planning Commission to the local Stabilization Fund Supervisorate mobilized local bureaucrats in the wrong way, so that they only cared about achieving loan quotas while ignoring the local economic reality.[208] When this equilibrium was disturbed, bureaucratic obedience to the political hierarchy and loyalty to assigned roles collapsed.

As Sima Guang pointed out,

> [Wang Anshi] broke the routine to promote the officials who had supported him. [He] humiliated and troubled those who disagreed with his policies…The literati of the country who pursued wealth and rank happily attached themselves to him. ….If they did, they would immediately receive good posts. For years all the leading officials at both central and local levels were people like this. Those who were loyal and upright, and who still had a sense of shame, were all purged or punished. There was no place for them.[209]

For Sima Guang, Wang Anshi's changes in the personnel management institutions produced new temptations that led bureaucrats to pursue their private interests. He rejected Wang Anshi's interpretation of the Sages' text (wen). It was not possible that adherence to the Green Sprouts Policy originated from the bureaucrats' recognition of the dao, instead it resulted from their self-interest. Once these bureaucrats were led by self-interest their policy innovations could not deal with external changes.

As Sima Guang pointed out:

> Your Majesty has only received reports [from local governmental officials who favored the New Policies]. [Based on such dishonest reports], you think that the law is good and has the support of all the people. But how could you know

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[208] Sima Guang, "Qiba Tiaoli si changping shi shu 乞罷條例司常平使疏," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4,48

[209] Sima Guang, "Yingzhao yan chaoting queshi shi 應詔言朝政闕失事," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4,105

> what these bureaucrats have actually done in their localities? Some of them have added new articles to the law in order to produce deceptive [achievements]. They send different reports on the problems of the policy and change the policy by themselves….. The clerks and common people do not know what they should follow. The bureaucrats do all these things because if they produce new things, then they can be promoted. [Their creation of the new policies] stems from self interest and not from a true intention to benefit the country and make the common people more comfortable. [210]

Sima Guang criticized policy experiments based on self-interest. He felt that the pursuit of self- interest would make the bureaucrats lose their impartial evaluation of social problems. Wang Anshi thought he could ensure that innovation would not be guided by the private interest because his policies followed the dao, but for Sima Guang, because the policy deviated from the dao, it also made the bureaucrats deviate from ethical conduct and thus turned their potential innovations into chaos.

Sima Guang's view of social context as determinative of the consequences of the Green Sprouts Policy

Like Wang Anshi, Sima Guang was devoted to improving the state's capacity to mobilize resources to deal with crises. However, he thought the content of a policy could not predict its consequence. Instead, the temporal and spatial context in which the policy was made and implemented would determine whether a policy could achieve its purpose. The full evaluation of such a context required the policy makers to know how to understand and accommodate policy participants' various behavioral modes. Such modes were guided by their pursuit of self-interest. Sima Guang took the local bureaucrats, the clerks, the central government, the local rich people and poor

[210] Sima Guang, "Yingzhao yan chaoting queshi shi 應詔言朝政闕失事," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4,106

farmers as different actors who had varying responsibilities and autonomous interests. Any activity of one actor would influence that of the others, and thus influence the equilibrium of the entire system. The best mechanism for the state to mobilize resources was to maintain such an equilibrium and ensure the long-term sustainable development of the system. As Sima Guang held, the best way for the government to gain resources was "to surrender the small [material] interest but collect the larger benefits. Release the immediate payments but pursue long-term benefits.[211]"

In Sima Guang's view, the real social context would determine policy outcomes. Changes in policy also gave different actors opportunities to satisfy their own interests. These actors' habits and innate natures could not be changed by policy. In his critique of the Green Sprouts Policy, Sima Guang predicted what would occur in the policy process. As he described it,

> The reason why some people become poor while others become rich is because of their different talents, nature and intelligence. The rich people have good intelligence and long-term consideration. They would rather work hard and have bad living conditions than borrow money from others. This is why rich families always have a surplus and are not in debt. The poor people are lazy and only care about living. They have no long-term consideration. They spend all their money on drinking and have no moderation. They cannot pay off their debts. They even sell their wives and children…. Even when they become like this, they do not feel regret. Therefore the rich people often loan money to the poor to earn interest. The poor people borrow money from the rich to survive. Although their conditions are not the same, they still rely on each other. Now the magistrate uses government money to make loans in the spring and autumn. The rich people do not want to borrow this money. Only the poor people want it. The Stabilization Fund officials want to loan more money to make a better performance evaluation. Therefore they do not think about the real economic situation but only force people to borrow money. The rich people borrow more and the poor borrow less. …. The bureaucrats and clerks at the county and prefectural governments do not want them to delay the repayment. These bureaucrats and clerks gather the

[211] Sima Guang "Lun caili shu 論財利疏," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 3, 184

> poor and rich together to become guarantee groups and appoint the rich people as the heads of the groups. When the poor people get the loan, they just waste all the money. In the future, if the harvest is insufficient, they cannot even pay their taxes not to mention the interest on their loans. The clerks have to urge them to repay their loans, and they run away to different places. The rich people cannot leave. They have to pay the money that other poor families in their guarantee group have borrowed. They cannot pay it all. The government has to allow them to delay the repayment. The debts of the loan in the spring have not been paid off the by autumn. These debts accumulate through the years and become even heavier for the rich…. Therefore the common people have to pay endless debts in any situation. The poor people leave their hometowns and the rich people become poor. I am afraid that after ten years, few rich people we be able to exist in the country. If any crises occur in the border areas, the court will need money to mobilize the military forces. Who will pay for that?[212]

Although Sima Guang did not reject the idea that people's values can change, such a change could only occur in his view by people's self-cultivation and their continuous moral practice in their daily life. The material incentives that Wang Anshi designed could not bring internal transformation to the system's participants. To the contrary, the policy outcomes would be determined by the existing social and political circumstances, in which the policy participants followed their own interests and values to manipulate the policy to satisfy their own interests. Based on this logic, Sima Guang stressed the importance of social and political context.

Within this context, "the people" cannot be taken as part of one interest group. They have multiple demands and conflicting interests. Each group of people has their own way of dealing with the policy. By understanding society and government as comprised of diverse actors, Sima Guang emphasized that the policy might change participants' lives but not their natural tendency to pursue self-interest. Policies can

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[212] Sima Guang, "Qiba Tiaoli si changping shi shu 乞罷條例司常平使疏," Sima Wengong ji biannian qianzhu 司馬溫公集編年箋注 4,48

only be taken as stimuli from the external environment, to which people would respond based on their own accustomed behavioral modes. Unlike Wang Anshi, Sima Guang took policy to be more than the one-sided demand of the central policy makers. The policy process is in his view was a mechanism by which different social and political actors interact with each other. In the above quotation, Sima Guang vividly describes how each social group could potentially use the Green Sprouts Policy to satisfy its own interests. He predicted the possible consequences that these group activities would result in, pointing to serious damage to the social and political order. He also thought that the policy makers at the court could not regulate such mechanisms. They had to be fully aware of those mechanisms, instead of simply believing that the New Policies would automatically achieve their ends.

Comfortable Feelings, Trustworthiness and Social Custom as the Foundations for Political Order: Su Shi's Critiques of the Green Sprouts Policy

Su Shi's critiques of the Green Sprouts Policy during the initial period of the New Policies (from 1069 to 1070) are preserved in his memorials to Emperor Shenzong during his appointments as the Auxiliary in the Historiography Institute and as Administrative Assistant of the Kaifeng Superior Prefecture.[213] His position gave him the chance to submit memorials to the monarch offering his opinions about policy. Based on close reading of these four memorials, we shall see how Su Shi's different lines of reasoning on state-building ,which we find detailed in his other writings,

[213]The memorials include Su Shi, "Yi xuexiao gongju zhuang 議學校貢舉狀," Su Shi wenji di erce 蘇軾文集第二冊,(Beijing: Zhonghua shuju, 1983), 724;"Shang Shenzong huangdi shu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 729; Su Shi, "Zai shang Shenzong huangdishu 再上神宗皇帝書,"Su Shi wenji di erce 蘇軾文集第二冊, 748; Su Shi, "Ni jinshi dui yushice 擬進士對御試策"Su Shi wenji di yice 蘇軾文集第一冊, 301

guided his arguments on the Green Sprouts Policy. These memorials present interwoven lines of reasoning that articulate the connections between key concepts such as human nature, the pattern of the world, dao, social customs, trustworthiness, and emotion.

The sense of comfort

Su Shi argued that the Green Sprouts Policy made people feel "uncomfortable不安" and lose their trust in the government. He wrote,

> Before judging the right and wrong of actions, superior men will first observe the popular will. Although Xie An's employment of Zhuhuan was not absolutely correct, this employment was favored by the masses, and the country therefore was still stable. Yu Liang's employment of Su Jun was not absolutely wrong; the real situation, however, did not allow such employment and this action therefore made [Yu Liang] dangerous and shameful. From antiquity to the present, there is no case where people did not feel comfortable even when the rulers were tolerant and stood together with the masses. Neither is there a single case where an obstinate and opinionated ruler did not find himself in a dangerous situation.
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> Your Majesty also knows the unhappiness in other people's minds. ... Your establishment is great, but the people are really astonished and doubtful. Your new policies are untraditional; the clerks all feel perplexed and uneasy. The upright wanted their suggestions to be accepted but could not be satisfied, they could not avoid worries. The petty men intentionally flattered the court, and their actions were blameworthy. [214]

Su Shi described policy participants' mental states as "astonished and doubtful," "perplexed and uneasy," unable to avoid worries, and intentionally flattering the court. All these activities illustrated his judgment that the New Policies had been causing the prevailing uncomfortable feelings of people at different levels of government and society. The common people thought they were deprived, and

[214]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 730

therefore they felt uncomfortable with the policies. According to Su Shi, such an emotion had been spreading throughout the main social groups: the commoners, the soldiers, the clerks and the literati. For Su Shi this situation was very dangerous to the state because these categories of people constructed the basis for ruling. If the court loses their support, failure can be clearly predicted.[215] Also, local officials feel themselves put in a difficult position because they face the dilemma of whether they should expand rural credit or control the scope of such loans to reduce financial risk.[216] Among the political elites, the policy also raised great debates and caused cleavages. The monarch could not successfully pacify these debates to the satisfaction of all camps. The entire political elite was thrown into endless fights, debates and purges.[217]

Furthermore, such uncomfortable feelings not only existed among the upright and common people but also in the petty men and other officials who found that the New Policies gave them the opportunity to get unexpected (and generally undeserved) promotions. These people were therefore no longer satisfied with their current positions and sought every opportunity to be promoted. According to Su Shi, because of their desires, they would speculate on the intentions of the court and push the policies to extremes that would do great harm to the local people. They even would cheat the central policy makers and provide incorrect information. All these meant

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[215] Su Shi, "Zaishang shenzong huangdishu 再上神宗皇帝書," Su Shi wenji di erce 蘇軾文集第二冊, 749

[216]Su Shi, "Zaishangshenzonghuangdishu 再上神宗皇帝書," Su Shi wenji di erce 蘇軾文集第二冊, 750

[217]Su Shi, "Ni jinshi dui yushice 擬進士對御試策"Su Shi wenji di yice 蘇軾文集第一冊, 305

that the emperor could not grasp the actual problems that occurred at the local level.[218] These petty people's activities and their sudden success also intensified the dissatisfaction of the commoners and led them to disobey new rules.[219]

The uncomfortable feelings of the people can also be seen in the uncontrollable rumors that seriously affected economic and social stability. According to Su Shi, the establishment of the Finance Planning Commission caused rumors to the effect that the monarch was pursuing material interests and the Grand Counselor only cared about collecting money. The merchants worried that the state's policies would do harm to their trade, and withdrew from business with a consequent increase in market prices. The rumors spread to regions as far away as Sichuan and became difficult to control.[220] For Su Shi, all these problems would eventually turn the policy off track from its original intention. Efficient control of the policy implementation was impossible if the mental state of the policymakers was not on the correct trajectory.[221]

As his other political writings show, Su Shi's line of reasoning on political order directed his attention to the "uncomfortable feeling" of the policy participants. In Su Shi's opinion, all people in every part of the world share some commonalities in their

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[218]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 735

[219]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 732

[220]Su Shi, "Ni jinshi dui yushice 擬進士對御試策"Su Shi wenji di yice 蘇軾文集第一冊, 303

[221]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 735

spontaneous responses to external change. People act in a manner true to themselves, responding to the external world without calculation. In his work, Su Shi emphasizes that everyone in the world has the same response to certain environmental changes. Su Shi called this response "renqing 人情," and wrote that it originated from common human nature. As he explained,

> There is no person alive who does not feel uncomfortable when hungry or cold or who has never experienced sexual desire. Would it be acceptable today for someone to say that eating when hungry, drinking when thirsty, or having sexual desires is not part of human nature? Everyone knows this is unacceptable.[222]

Human nature is something common to the best and worst of men, something inescapable. This nature also means that people's common feelings towards things are spontaneous, inescapable and predictable. As Su Shi explained,

> The superior men cultivate their goodness every day to reduce their not-goodness. When the not-good dissipates day by day, something that cannot be gotten rid of is still there. The lesser men cultivate their not-goodness every day to reduce their goodness. When the good dissipates day by day, something that cannot be gotten rid of is still there. As for that which cannot be gotten rid of, [the sages] Yao and Shun could not add to it and [the evil men] Jie and Zhou could not subtract from it.[223]

Unlike Wang Anshi and Neo-Confucian scholars, Su Shi did not believe in the possibility that people could achieve a transformative mental state and reach full

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[222]Su Shi, "Yang Xionglun 楊雄論" Su Shi wenji di yice 蘇軾文集第一冊,111

[223]Su Shi,"Dongpo yizhuan 東坡易傳" *Wenji* bian nianqianzhu, v 12, 114

awareness of the correct way of behaving. In Su Shi's thought, when following their natural inclinations and making choices, people would feel natural and comfortable without any complaints of being forced by external forces.[224] Su Shi emphasized that maintaining the subjects' natural state would be ideal for governing because the subjects could feel "comfortable 安" in such a state.

Su Shi's argument should be understood in his thought on the conflicts between the wills of the rulers and the ruled. In his line of reasoning he stressed that the ruler's will could be satisfied even it did not fully satisfy the needs of the ruled. The ruled could still feel comfortable if the ruler built a good institutional environment to resolve their concerns. Su Shi tended to contextualize the rules to answer the question of how policies provoked people's psychological reactions. What should a ruler do to make his subjects accept his policies?

Su Shi emphasized the importance of the superior men's understanding of the connection between the Sages' rules and people's nature. As Su Shi pointed out,

> If the superior men want to be sincere, they must be insightful. If we observe the origins of the dao of the sages, we find that they they lie in the people's sentiments. If we do not follow such origins but only approach the matter from the end, we will think that that the Sages had some rules that were enforced but were not happily accepted by the commoners. If that were true, then we would have no way to be sincere [to those rules]. Therefore, the Doctrine of the Mean says, "We should have penetrating eyesight." We must be sure that our mind knows the rules and pursues happiness.

[224]Su Shi, "Yushi zhongxun yishenming lun 御試重巽以申命論,"Su Shi wenji di yice 蘇軾文集第一冊,35

Su Shi continued to elaborate his point on what this penetrating view meant for superior men, and how superior men should use such insight to make people happy with the rules.

> In all the daily rules, the rites are seemingly coercive to people. Why? People all like leisure and hate labor. Now we make it so people dare not sit with their legs extended but take standing all hunched over and kowtowing a hundred times as rites. ……All these impressions take the rites to be enforcement, and we make the mistake of seeing it this way because we approach the rites from the end. How about going back to the origins of the rites and thinking about them? Today I may say that standing all hunched over [a deferential posture, part of the rite] is not as comfortable as standing upright, but if comfort is all I want, no manner of standing can compare with sitting. Regular sitting, however, is not as comfortable as sitting with legs extended, while that manner of sitting is not as comfortable as lying down all day. And if I am unsatisfied even with lying down, then let me take my clothes off and show no shame. But if I were to lie around naked, I myself should feel uncomfortable with it. Nor would I be alone: every common man and woman in the entire world would disapprove. As soon as there is such disapproval, it leads eventually to standing all hunched over and kowtowing a hundred times. With this in mind, we may say that standing all hunched over and kowtowing a hundred times has its origins in not wanting to lie around naked. And it is not just standing hunched over or a hundred kowtows-- all the myriad kinds of conduct that the world considers coercive must have similar origins. We clarify their origins and use our reasoning to speculate about the end. This is what it means to have a penetrating view.
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> If we talk about the origins of the ways of superior men, then our words will be simple and clear. If we approach it from the end, then our words become difficult and secret. The superior men do not want their words to be secret; therefore they start from the easy parts [of the principles in heaven-and-earth], which the common man and woman can easily practice. Then they push their words to the extremes that the Sages cannot reach. They start their dao from the easiest part of heaven-and-earth and make its most difficult part familiar to the people. The people in the heaven-and-earth therefore can feel comfortable with the most difficult part and feel no difference from the easiest part.[225]

The role of the superior men became important because they needed to explain

[225] Su Shi, "Zhongyong zhong 中庸中,"Su Shi wenji di yice 蘇軾文集第一冊,61

how the coercive features of the rules were not in conflict with a political order that was designed in pursuit of the fulfillment of the people's comfort. Su Shi believed that although the rites could regulate people in many ways, ultimately they could not make people very uncomfortable.[226] He stressed that superior men need to be penetrating to find the deep connection between the sages' rites and people's nature. In discussing such a connection, Su Shi did not take political enforcement as a good method. Instead, he emphasized that such enforcement should come from the goal of guaranteeing the long-term happiness of the people. As Su Shi revealed, the indulgence of natural inclinations will eventually pose the danger of leading people to the opposite feeling—discomfort: "But if I were to lie around naked, I myself should disapprove of it." The rules therefore are needed because they prevent in advance the uncomfortable feelings created by such extremes.

Superior men therefore need to be penetrating because they must transcend a perspective that simply looks at the coercive feature of the rules, while also avoiding the irresponsible connivance of people's short-sighted choices based on temporarily comfort. They need to understand why such rules have developed, and explain to the common people how these rules play the long-term role of securing people's comfort. The key point, therefore, is to find measures that can convince people to follow such rules based on their common natural inclinations.

Su Shi held that even the common people, without any special knowledge, could follow the Sages' institutions in their actions because they could follow the Sages'

[226] Su Shi, "Li yi yang renwei ben lun 禮以養人為本論,"Su Shi wenji di yice 蘇軾文集第一冊 49

guidance on such actions without any difficulties.[227] When they followed the sages, they would feel comfortable. The Sages therefore should start from these easy rules which followed the dao and were not difficult for people to follow.

On the other hand, Su Shi conceded that in the process he designed, people might not feel comfortable at any given moment with specific rules that the Sages had established. Sometimes the institutions were ambiguous and difficult to follow in the short run. Therefore, he argued that rulers needed to start by implementing the rules that followed the dao and also make people easily feel comfortable. Thereafter they should progressively "extend推" such comfortable feelings to the process by which people followed other institutions. This would be a progressive process in which the ruler's consideration of the participants' feelings became the main goal.

This process differs from Wang Anshi's design, largely because of their different views on how to explain dao and how to make authoritative explanations function in the governance process. Like Su Shi, Wang Anshi believed that people had different opinions and claims about what the dao meant. For Wang Anshi, this problem resulted in the low capacity of the government to innovate and implement policy, since the participants only followed their own self-interests without correctly recognizing the dao. The key steps in making participants take collective action, therefore, are the unification of interpretations of the Sages' thoughts as represented in the Classics, education to recognize the dao through such interpretations, and the process of

[227] Su Shi, "Xun Qing lun 荀卿論," Su Shi wenji di yice 蘇軾文集第一冊, 100

claiming coherence between the New Policies and the thoughts of the Sages. "Comfort 安" was not part of Wang Anshi's discourse on the design of the governance process.

By rejecting the possibility of defining the dao by any interpretation of the Classics, Su Shi challenged the intellectual foundations of Wang Anshi's construction of ideal governance. Su Shi did not think it was possible to discover the whole of the dao by defining what the dao is. As he argued, complete realization of the dao was beyond even the Sages. It would therefore be impossible to "establish a claim 立論" on what the dao is.[228] Since no claim can interpret the dao, people's recognition of the dao through such intermediate interpretations is also impossible. Su Shi added "feeling comfortable" as a necessary step for making people follow the rules because he did not believe in Wang's vision of a mental state that could enable people to recognize the dao and automatically follow rules that conveyed the dao.

At the practical level, Su Shi had no interest in discussing how to define the dao of policy. Neither did he believe in guiding people to the dao through governmental institutions. In Su Shi's opinion, since the state cannot successfully make people to follow the policy purposes, it has to make them comfortable with those policies and institutions. This is the area in which the state can be active.

Su Shi thought such comfort could come from people's hope that the policies and institutions could guarantee their personal benefits. Su Shi thought the government

[228] Su Shi, 'Zisi lun 子思論',Su Shi wenji di yice 蘇軾文集第一冊,94

should encourage people's private interests. He further clarified two categories of interest: the private motivation only for personal wealth and high office. The state should encourage the second by implementing policies that could give people hope that if they performed better, then their official careers would benefit. This would encourage them to happily, actively follow the commands of their rulers, so that policies would be implemented well.[229]

Su Shi believed that the ruler's mental state benefited from his self-cultivation and was fundamental for achieving a political order that made people comfortable with the rules. As he explained,

> [The process of self-cultivation] should start from sincerity. During the process of ruling, the ruler should not be hasty. The superior men should be rigorous from start to finish. The ruler should treat the common people as a part of his body. He should treat the extremely foolish in the same way as the extremely talented. [Such an attitude] can be called sincerity. If his sincere attitude cannot have a direct result, the essential thing is that he should trust himself without feeling puzzled. This is called doing things without being hasty. If he does things without being hasty, then his reign will last. If he can last [in power], then he can achieve [his goals]. The superior men use his respectful attitude to resolve the problems at hand. Therefore his attitude is rigorous.[230]

Su Shi did not believe in a mental enlightenment that enables the sovereign to know all the correct ways of rulershop. The rulers should focus on how to be sincere, self-trusting, cautious and rigorous. This stresses the rulers' mental state in the course of concrete policy-making. Self-cultivation in this discourse is intended to cultivate

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[229] Su Shi, "Cebie xunbing lv san 策別訓兵旅三" Su Shi wenji di yice 蘇軾文集第一冊, 279

[230] Su Shi, " Jizui beiwufu lun 既醉備五福論"Su Shi wenji di yice 蘇軾文集第一冊,51

the rulers' mind in order to make him achieve this mental state, instead of learning the interpretations of the Classics.

Guided by the above line of reasoning, Su Shi criticized the Green Sprouts Policy and explained why Wang Anshi failed to put the policy participants at ease. Su Shi stressed that the sovereign's mental state and manner of rule determine the comfort of his subjects. He argued that if the ruler can be tolerant of the public opinion of the majority, then the people will feel comfortable. However, if the ruler is obstinate and opinionated, then the political order will be endangered because of people's uncomfortable feelings.

In a memorial he sent to criticize the policy, Su Shi took Duke Xiang as an example. As he explained, "Although Duke Xiang of the Song state acted by following the moral principle of benevolence and righteous, he failed because he lost popular support."[231] Su Shi's intention in this utterance and the hermeneutic meaning of his argument can be discovered by comparing this claim to his other writings.

In other writings both before and after this memorial, Su Shi did not depict Duke Xiang as a person who really followed moral standards. As one exposition he wrote for the Hanlin Academician examination in 1065 claimed, "Duke Xiang looked like a benevolent person... but in fact, he did not cultivate his morality. He only exhausted his people to satisfy his own desire for hegemony."[232] Su Shi further argued that

[231]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 730

[232]Su Shi, "Xueshiyuanshi chunqiu ding tianxia xiezhenglun 學士院試春秋定邪正論" Su Shi

people like Duke Xiang only pretended to act in a moral way. Although they did some moral things, they also committed evil acts that exhausted their people. Their superficially moral conduct was for the ulterior motive of achieving their personal desires.[233] In earlier writings, Su Shi had argued that such activities would lead rulers to lose the support and trust of the people.[234]

In Su Shi's view, it was impossible to define the rightness or wrongness of a policy-maker's decision simply by assessing the moral features of the policy's content; one had to take the public reception into consideration. Su Shi rejected any tie between policy content and moral principle. His argument about Duke Xiang implied that even if a leader like him could temporarily make policies that followed moral principles, his true mental state ensured that his policies could not be consistent. People therefore did not feel comfortable with him. Unfortunately, in Su Shi's view, the drafters of the New Policies were not tolerant, did not fully consider public opinions and did not show solidarity with the public. People did not feel comfortable, to the extent that these policymakers lost popular support and found themselves in precarious situations.

Su Shi stressed the importance of governmental institutions in shaping people's comfort level. According to him, the Censorate and Remonstrance Bureau should play the key role in transmitting public opinions and feelings to the monarch to prevent

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wenji di erce 蘇軾文集第二冊, 39

[233]Su Shi, "Xueshiyuanshi chunqiu ding tianxia xiezhenglun 學士院試春秋定邪正論" Su Shi wenji di erce 蘇軾文集第二冊, 39

[234] Su Shi, "Zhuge Liang lun 諸葛亮論', Su Shi wenji di yice 蘇軾文集第一冊 113

him from becoming isolated. Su Shi admitted that the opinions may not be right, but the value of these institutions was in making the government responsive to public opinion, finding ways to put the people at ease. In short, the public's feeling of comfort was more important than the correctness of their opinions.[235]

Su Shi's critiques held that during the process of implementing the Green Sprouts Policy, Wang Anshi had seriously weakened the function of the Censorate and Remonstrance Bureau. Su Shi held that once this channel was broken, the monarch would be isolated from the reality of his subjects. People would also lose their faith in the policy because their dissatisfaction could not be expressed. These problems would destroy the foundation of the political order.[236]

Trustworthiness

Another focus of Su Shi's critique was his argument that the Green Sprouts Policy destroyed people's trust in the government. After examining his line of reasoning on trustworthiness, we shall see how his views led him to predict the failure of the Green Sprouts Policy.

In this case, Su Shi's argument does not address the issue of how to satisfy participants' free choices and natural inclinations. In the governance process, few policies can simultaneously satisfy all peoples' natural inclinations, given that they must face divergent reactions from the various groups involved in the policy process. Su Shi not only admitted such discordant activities, but also discussed how to unify

[235]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 740

[236]Su Shi, "Shang Shenzong huangdishu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊,740

people's activities given such discordances. He therefore defined a distinct mental state that can be achieved by all policy participants, which is trust. Trust means that even if a policy cannot allow people to make free choices by following their natural inclinations, the participants in the policy can still accept it.

In many writings, Su Shi discusses the irrational features of people's emotions. He argued that once a ruler lost popular support, every policy he proclaimed would be subject to negative interpretations by his subjects. Even if the ruler's intention in making the policy was good, the ruled would still interpret such activities as deception. They would distrust all these policies and spread rumors to obstruct them.[237] The Sages, however, were able to guide such emotions back to trust. As Su Shi discusses, the Sages never lost patience when repeatedly explaining their intentions to the commoners. Even when the commoners did not agree with policies, the Sages still explained the policies to them until all in heaven-and-earth trusted that the Sages' words were true.[238]

Su Shi designed concrete plans for making subjects trust the government. The first plan was to promote open and transparent communication between the monarch and his subjects. He compared the people in the country to instruments that were controlled in the hands of the monarch. The best way to make those instruments easily handled is to make the owners and the instruments familiar with each other, preventing the isolation of the monarch from his officials and subjects. As Su Shi

[237]Su Shi, "Dong Po shuzhuan 東坡書傳"Su Shi Wenjibiannianqianzhu, v 12, 477
[238] Su Shi, "Shulun 書論" Su Shi wenji di yice 蘇軾文集第一冊, 54

wrote,

> If the instruments are not often used but stored locked away then the tools are not familiar to their users. The instruments become difficult to handle. Good workers will make their hands accustomed to the instruments as well as the instruments to their hands. The hands and instruments trust each other without any suspicion. After that people can do things successfully.[239]

Su Shi therefore argued that in the ideal political system, the monarch's thoughts and emotions needed to be known by his subjects, and the subjects' requests and situations also needed to be fully expressed and smoothly delivered to the monarch. The ruled and the ruler should know each other well so that each can feel that the other is like a part of their body.[240] In short, trust comes from better knowing each other.

Such open communication would also require the smooth transference of true social information to the rulers. Su Shi suggested that rulers should fully respect people's customs and opinions. They should also thoroughly investigate the real social situation so that they can be familiar with their subjects' authentic feelings and concerns.[241] They should not forbid people from expressing their requests. In order to do that, they needed to prevent bureaucrats from repressing free speech. Su Shi therefore opposed showing any signs to bureaucrats that might lead them to speculate about future changes to policies; he suggested that the best way to reform is not to announce the reform but to make changes quietly, as Pan Geng the king of Shang did. Pan Geng did not create new laws, or correct the institutions, nor did he establish

[239]Su Shi, "Celue wu 策略五"Su Shi wenji di yice 蘇軾文集第一冊,38

[240] Su Shi, "Celue wu 策略五"Su Shi wenji di yice 蘇軾文集第一冊,239

[241] Su Shi, "Celue wu 策略五"Su Shi wenji di yice 蘇軾文集第一冊,23

expedient measures. He refrained because he feared that "that the various officers and responsible officials would draw inferences contrary to his intent and forbid the populace to speak."[242]

The formation of trust also relies on the ruler's consistancy of image. Unlike the Sages, whose governance only served people's needs, monarchs in the comtemporary political situation had their own interests. Their ruling methods therefore were sometimes tailored to personal interest instead of fulfilling people's nature.[243] Su Shi saw no difference between the moral principles that rulers claimed to follow and the political ruses they actually employed, because all were political strategies serving the private interests of the ruler. Such private interests distinguished them from the Sages, whose following of moral principles came from their true minds. Since these moral principles can be manipulated as political strategies, the rulers need to take the opportunity and choose the best strategies. The rulers in some situations could claim the moral principle and make people trust it, while in other situations, they should employ ruses without mercy.[244]

Su Shi portrayed the public as a single entity that is insightful and can recognize deception. He asked, "Do you really believe that the people in the country are like babies, animals or birds that can be cheated with mere beautiful words?"[245] The

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[242] Su Shi, "Dong Po shuzhuan 東坡書傳 v8"Su Shi Wenjibiannianqianzhu, v 12, 367

[243] Su Shi, " Ruzhekeyushouchenglun 儒者可與守成論" Su Shi wenji di yice 蘇軾文集第一冊 P40

[244] Su Shi, "Zhuge Liang lun 諸葛亮論', Su Shi wenji di yice 蘇軾文集第一冊,113

[245] Su Shi, " Ni jinshi dui yushice 擬進士對御試策," Su Shi wenji di yice 蘇軾文集第一冊,304

public's capability to recognize good and bad originates from people's common nature. As Su Shi argued, "If a person has once eaten his brother's arm because of hunger, even in other situations when he is hungry and does not steal, people in all of heaven-and-earth know that such good behavior does not come from his true mind."[246] As we have discussed, Su Shi believed that people share certain common natural characteristics, such as loving their brothers and parents. Relying on these characteristics, people can use common standards to make judgments. The bad intentions of a person therefore can be easily recognized because their previous activities have deviated from such standards. Once people lose their trust in the ruler's words, the ruler's policies cannot be well received by the public. In such a discourse they share the same rationality. Any variations of people's minds are beyond the focus of this line of reasoning.

How does self-cultivation integrate into the trust-building process? Su Shi believed that the self-cultivation of the ruler is the foundation of the ideal political order. He further articulated the logical relationship between the leader's cultivation of mind and the achievement of the political order based on trustfulness. He integrated the terms dao, sincerity (cheng), centrality (zhong), oneness (yi), nature (xing) and trustfulness (xin) into a line of reasoning that illustrates his viewpoint on how to shape adaptive governance and collective action.

As Su Shi argued, "He who has no-mind is one, and he who is one is trustworthy,

[246] Su Shi, " Song Xianggonglun 宋襄公論" Su Shi wenji di yice 蘇軾文集第一冊,78

so that all things [in their contact with him] will fully realize their innate pattern."[247] "No-mind" as a mental state in Su Shi's thought refers to people's response to environmental changes without calculation.[248] Such spontaneous response in Su Shi's description also entails people's following of their nature (xing). As we have mentioned, people's following of their own nature is spontaneous, without calculation. Su Shi argues that if people use their minds to define what the dao is, then different people will have different definitions. Once the mind has intentionally defined the dao, people cannot avoid misrecognition of it. Students should begin with studying dao, which in Su Shi's discourse is the "explanation of why things are as they are 所以然之說."[249] After such learning, they need to enter the final stage of study, going beyond the concrete definition of dao to "accomplish [the dao] by following their nature 成之以性.[250]" Such a mental state also means that they have to combine their intellectual knowledge and human nature as one, which in Su Shi's terminology refers to when people attain the decree (ming) of heaven. Ming refers to the spontaneous functioning of human nature (xing).[251] As Su Shi argues, "When the superior man arrives at unity in relation to dao, it is like the way the hand functions by itself. It does

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[247] Su Shi, "Dong Po yizhuan 東坡易傳"v7 Su Shi Wenji biannian qianzhu, P254

[248] For discussion of this issue, see Peter Bol, This Culture of Ours, 284

[249] Su Shi, "Dong Po yizhuan 東坡易傳"v9 Su Shi Wenjibiannianqianzhu, , 282

[250]Su Shi, "Dong Po yizhuan 東坡易傳"v7 Su Shi Wenjibiannianqianzhu, , 259

[251] For discussion on this issue, See Peter Bol, "Su shi and Culture," Kidder Smith Peter K Bol, Joseph Adler and Don. Wyatt ed., Sung Dynasty Uses of I Ching (Princeton, Princeton University Press, 1990), 87

not know why it is as it is, yet it is so."[252] Moreover, Su Shi named such an ideal state as centrality (zhong) in which people apprehend their "original mind 本心."

In his discourse, such a mental state makes the ruler feel happy, sincere and self-trusting. This mental state can be achieved without exhaustively knowing everything about social norms or the Classics. According to Su Shi, even the Sages could not comprehensively grasp these norms. Therefore it makes no sense to discover the Sages' meaning in the Classics. The Sages were, however, different from even those who had more knowledge because the Sages could achieve the mental state of being happy with the norms they already knew and therefore could spontaneously follow those norms. Their activities were guided by their true minds. Their choices were directed by their natural inclinations. When making choices, they had self-trust without calculation.[253] For Su Shi, learning the Sages' mental state makes much more sense than learning their expressions or the meanings thereof.

Such a mental state was not only meaningful to people's self-cultivation, but also fundamental for shaping adaptive governance and collective action. If the ruler can be sincere, he can earn trust from the people of the country. As Su Shi wrote in praise of Ouyang Xiu,

> His following of benevolence, righteousness, rites, music, loyalty, trustworthiness and filial piety is the same as [his natural inclination] to eat and drink when feeling hungry and thirsty. He cannot even forget to do so for a second. Just as the fire is hot and the water is wet, his nature makes him spontaneously do

[252]Su Shi, "Dong Po yizhuan 東坡易傳"v1 Su Shi Wenjibiannianqianzhu, , 114;v7 258-259;v9 ,282-283

[253] Su Shi, "Zhong Yong lunshang 中庸論上," Su Shi wenji di yice 蘇軾文集第一冊 P60

such things…Therefore people in heaven-and-earth trust his sincerity and all want to learn from him.[254]

Such a state is also described by Su Shi as "oneness." Oneness in Su Shi's discourse refers to people's consistency in following the dao, as opposed to cases in which leaders only pretend to do good things. Such consistency could not be maintained if people had calculations about either their own private interests or how to follow the norms as defined by the dao.[255] If leaders are consistent, other people will know them easily. The people can therefore trust the ruler and follow him. Su Shi also argued that people who cannot achieve such consistency are difficult to understand and therefore others do not trust or follow them.[256] Compared with his argument that trust comes from frequent communication between the ruler and the ruled, Su Shi presented a fundamental resolution of this issue through personal cultivation. At the same time, Su Shi believed that if the ruler could achieve such a state, he would find the optimum choices when facing environmental changes, and adaptive governance would be achieved.

In Su Shi's view, the situation that developed in the making and implementation of the New Policies had greatly deviated from the ideal political order. Su Shi's critique stressed that the ruler's lack of sincerity and self-confidence caused people's loss of trust in the government. In criticizing the Green Sprouts Policy, Su Shi's

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[254] Su Shi, "Fan Wenzheng gong wenjixu 范文正公文集敘"Su Shi wenji di yice 蘇軾文集第一冊,311

[255] Su Shi, "Si tang ji 思堂記," Su Shi wenji di erce 蘇軾文集第二冊, 363

[256] Su Shi, "Dong Po yizhuan 東坡易傳"v7 Su Shi Wenjibiannianqianzhu, , 254

understanding of common human nature guided his explanation of why the policy caused the ruler to lose trust. As he explained,

> If your Majesty is really sincere to the people, then even if anyone slanders you, the public will not trust their claims. However if your Majesty is actually pursuing your own interests, then even if you defend yourself, others will not believe you. There are affairs about which we absolutely cannot deceive others. If the clerks receive bribes and pervert the law, others will definitely call out their corruption; if people take things that do not belong to them, others will definitely call them thieves. If they have truly [bad] actions, they will not dare to deny these accusations. If we use the Green Sprouts Policy to collect twenty percent interest how can we not admit that such a policy is lending money to get interest? If a person has done good things, others will praise him even if he has not praised himself. If a person has done evil things, others will blame him even he has not blamed himself. If all people who have done good things had to praise themselves to make others trust them, then the Sages like Yao, Shun, the Duke of Zhou and Confucius would have become exhausted [trying to get approval]. Now people in heaven-and-earth all regard [your policy] as pursuing material interests, but your Majesty thinks the policy is following the moral principle of righteousness; people in heaven-and-earth all regard [your policy] as evil, but your Majesty takes it as benevolence; people in heaven-and-earth take [the policy] as corrupt but your Majesty takes it as uncorrupt. Because you cannot stand the many critiques, you have asked some officials to use persuasive arguments to answer questions from thousands of mouths. They drew far-fetched analogies to the Classics, producing governmental documents to proclaim the value of the policy to the people of heaven-and-earth.[257]

Su Shi believed that the public could use its common rationality to distinguish rulers' intentions from their actual behavior. As he pointed out, if the ruler collected interest through the governmental lending policy, the public could conclude that his goal was to pursue material interests. As we have discussed, Su Shi's identification of the common people's capacity for judgment originated from his understanding of the people's common nature. Su Shi also insisted that such judgment, guided by nature, could not be changed even though officials like Wang Anshi tried to explain their

[257]Su Shi, “Ni jinshi dui yushice 擬進士對御試策”Su Shi wenji di yice 蘇軾文集第一冊, 302

intentions by inventing an innate connection between their activities and the dao conveyed by the Classics. Once the subjects found that the ruler or officials were cheating, they would not trust their words.

Moreover, Su Shi emphasized the importance of the policy makers' self-confidence in creating policies. In Su Shi's critique, the drafters of the New Policies were imprudent, haughty and opinionated. In order to satisfy their self-interest, they hastily created the Finance Planning Commission and proclaimed the Green Sprouts Policy and other policies. In Su Shi's view, due to the lack of serious planning, these policies would probably fail. Once they failed, the monarch would lose self-confidence. As a consequence, people in heaven-and-earth would also lose their trust in the capability of the government.[258] The mental state of the drafters of the New Policies therefore determined their failures in policy innovation.

Customs and morality

Su Shi predicted that Wang Anshi's effort to guarantee the implementation of the New Policies through unifying the literati's values would have a negative influence on social customs. He focused on social customs because he had a line of reasoning that articulated a relationship between policy, social customs, morality and human nature.

Su Shi discussed the impact of institutional and policy changes on the stability of the political order through their influences on people's feelings and social customs (風俗). He did not hold that comfort was the only goal of political and institutional changes, but argued that people's discomfort and dissatisfaction in some situations

[258]Su Shi, "Ni jinshi dui yushice 擬進士對御試策"Su Shi wenji di yice 蘇軾文集第一冊, 303-04

could negatively influence social customs and directly threaten the stability of the political order, especially during critical moments of political and institutional changes. How to find the proper balance? Su Shi provided several lines of reasoning to support his explanation.

Su Shi discussed such an apparent conflict in his 1061 essay entitled On the Doctrine of the Mean 中庸論 as well as in his essay On the First Emperor of Qin 秦始皇論. The implication of these discussions was very different, however. The first essay implies that the ruler should discover the origins of the laws, which demand conformity between the official rules and people's comfortable feelings. It is even more fundamental that the ruler should find a way to progressively make his subjects comfortable with these rules. In the second essay, however, he presents a very different line of reasoning to resolve this apparent conflict. When given convenient material conditions, he argues, the common people's natural inclination to maintain the sense of comfort will lead them to have even greater desires. If such desires cannot be well controlled, the common people would become "disobedient, crafty, unstable and deceitful and difficult to manage."[259] Su Shi further argues that:

> The Sages knew that sitting with legs extended and eating without bowing to one other are felt convenient by people's natural inclination, and are suitable for the body's comfortable feeling. But even though the Sages knew this, they still made people follow the difficult regulations...because they wanted people to know how to respect the rules and not do crafty things. Therefore the rituals are close to people's natural inclinations but do not indulge [such inclinations].[260]

[259]Su Shi, "Qinshihuang lun 秦始皇論," Su Shi wenji di yice 蘇軾文集第一冊, 79

[260]Su Shi, "Qinshihuang lun 秦始皇論," Su Shi wenji di yice 蘇軾文集第一冊, 79-80

This interpretation of the conflict between ritual and people's inclinations no longer emphasizes their long-term conformity but instead stresses the necessity of regulations to keep commoners moral. In Su Shi's understanding, ruling institutions and policies play important roles in shaping people's morality because they provide incentives that will change people's behavior. No rules can change people's natural inclinations. People will follow their nature to react to the rules instead of being changed by the rules. For example, as Su Shi notes, the first emperor of the Qin dynasty abandoned the rituals and only used utilitarian measures to rule people. People therefore used this opportunity to indulge their natural inclinations and do whatever satisfied their private interests without considering any moral standards.[261] Su Shi therefore suggested that policy changes should not provide incentives that make people betray morality with natural impulsive behavior. This suggestion differs from his second line of reasoning, which suggested that the rulers should progressively make people comfortable with the rules.

Morality becomes a consideration in this line of reasoning, where the sound operation of a political system does not take as its sole goal the satisfaction of people's comfortable feelings. Su Shi believed that policies and institutions also needed to make people moral. People's natural inclinations cannot always lead them to moral behavior given the short-sighted nature of these impulses and people's inability to resist temptation. Policies should therefore maintain the moral state of participants, and not provide them with incentives toward immorality.

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[261] Su Shi, "Qinshihuang lun 秦始皇論," Su Shi wenji di yice 蘇軾文集第一冊, 80

Moreover, morality is also meaningful to the political order. The concept of "social custom 風俗" was used by Su Shi in his reasoning to illustrate the causal relationship between morality and political order. Although Su Shi did not clearly define the meaning of social custom in any of his writings, his discourse implies two connotations of this word. Social custom refers to the common behavioral patterns of the social members who possess moral features. For example, when social customs change, "the people who are mean and vulgar clean their minds and become moral. They are then devoted to doing the loyal and honest thing. All people respect themselves and feel ashamed of secretly talking about each other's faults."[262] Society in Su Shi's view has common moral features, which can be found in the common behaviors that social members follow.

Su Shi also believed that social customs directly determined the stability of the political order. As he stated, " If the social custom changes, it cannot be changed back. [Under the new social customs] the moral people become weak, and the state will subsequently become weak."[263] Because social customs represent common behavioral patterns, people can easily predict the activities of others if they all follow the same moral behavioral pattern. The social ties of trust can therefore be easily established in a society that has good and stable customs.[264]

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[262] Su Shi, " SimaWengong shendaobei 司馬溫公神道碑"Su Shi wenji di er ce 蘇軾文集第二冊,511

[263]Su Shi, " nijinshi dui yushice 擬進士對御試策"Su Shi wenji di yice 蘇軾文集第一冊, 301

[264] Su Shi, " Shenshi ce sandao 省試策三道" Su Shi wenji di yice 蘇軾文集第一冊,213

Unlike Wang Anshi, Su Shi did not believe that the state could take any measures that would completely unify social customs to create a higher moral order, because people's natural inclination to pursue material interests could not be changed. On the other hand, Su Shi did not give up on the state's influence over social customs. Since the ruler's governing cannot be abandoned, Su Shi considers how to make those policies and institutions play a positive role and improve social customs. As Su Shi argued, " The way of governing should rely on social customs. If the social custom is good, then [the rulers] should support it by using generous measures; if the custom is wicked, then the rulers should regulate it with strict measures."[265] The role of the state therefore has to be based on the real situation of social customs. Policies and institutions should not give people incentives to deviate from moral standards. In such a discourse, people's natural inclination is not something that the rulers should absolutely follow but rather a reality that the rulers should fully understand and then regulate. Any innovation divorced from the social reality will result in turmoil and the degeneration of social customs, a gap between a policy's original goals and its outcome, and this will result in the collapse of the political order.

Su Shi admitted that even benign measures for improving social customs would cause uncomfortable feelings at the beginning stage of their proclamation because of their difference from long-held traditions. Su Shi held that such measures should eventually make people feel comfortable. The rulers therefore have to patiently

[265] Su Shi" Dao you shengjiangzheng you suge 道有升降政由俗革,"Su Shi wenji di yice 蘇軾文集第一冊, 173

convince people if they want to change social customs.[266] Su Shi still held that making people comfortable was a goal that the political order should eventually achieve; on the other hand, he did not think that the government could make everyone feel comfortable at any given moment because in certain situations, correct policies would change people's habits and temporarily cause them to feel uneasy. Those policies should not be abandoned even though they cause such uneasy feelings if they are good for the long-term development of society and the state.

In Su Shi's thought, the means through which Wang Anshi implemented the Green Sprouts Policy would greatly damage social customs. According to Su Shi, people who did not devote themselves to self-cultivation were led by their common nature, which made them take pursuit of their personal interests as their priority. Wang Anshi's unification of people's values through unifying the interpretation of the Classics and making it the standard by which officials are selected is therefore in vain. According to Su Shi, examinees could find multiple ways to cheat, and can also parrot whatever the state wanted them to say using words that have nothing to do with their actual morality. Moreover, because it is impossible to change people's nature, the new examination institutions provided incentives that guided people to cheat and become morally degenerate.[267]

Su Shi argued that the Green Sprouts Policy would cause similar problems.

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[266] Su Shi, " Shulun 書論," Su Shi wenji di yice 蘇軾文集第一冊,54

[267] Su Shi, "Yi xuexiao gongju zhuang 議學校貢舉狀," Su Shi wenji di erce 蘇軾文集第二冊, 724

Wang Anshi's enforcement of the policy at the price of the participants' moral cultivation would, in Su Shi's view, result in the collapse of society's moral customs. Wang Anshi's policies seduced people to commit evil in their quest for fast promotions, he argued. Officials would only learn to cater to the monarch, hiding true information about their localities and falsely reporting their achievements in loaning money to the farmers.[268] The entire society would no longer follow moral principles, but would form what he termed "perfidious customs 澆風."[269] No good policy can be honestly implemented when officials and members of society are accustomed to cheating.

"Public Opinion 公議" in Critiques of the Green Sprouts Policy by Cheng Hao, Chen Xiang and Zhang Jian

Cheng Hao

In his critique of the Green Sprouts Policy, Cheng Hao emphasizes that the monarch should take care to accommodate public opinion which referred to superior men's rejection of the New Policies and the dissatisfactory feeling of bureaucrats and common people towards the policies. In his line of reasoning, the public opinion is taken as the external opinion that the ruler should internalize as an integral part of his internal world in his mental self- cultivation.

In his memorial Cheng Hao argued,

[268] Su Shi, "Shang Shenzong Huangdi shu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 739

[269] Su Shi, "Shang Shenzong Huangdi shu 上神宗皇帝書"Su Shi wenji di erce 蘇軾文集第二冊, 738

> The principle of the world is simple and easy. If [Your Majesty] follows the principle in a smooth manner, then there is nothing that you cannot accomplish. We therefore say that "The wise people's [doing of things] is like Sage Yu's channeling of floods, they both use safe measures." If you give up [these easy and safe measures] but use dangerous and difficult measures, you can hardly be taken as a wise person. Since antiquity, when the monarch wanted to create new measures for governing, although they could hold absolute power to decide, we however never heard of any monarch who could succeed if the important officials close to him held their own opinions and could not achieve agreement. [In this case where] the national policies are not unified, what the policy makers claimed deviated from the actuality of its implementation, and people's feelings and opinions inside and outside the court all opposed the policies.[270]

The memorial shows that Cheng Hao's critique focused on two problems of the Green Sprouts Policy. First, the policy raised great opposition from officials at court. Second, the policy also caused "great depression 大鬱" among subjects outside the court.[271] He further argued that because "people's feelings and opinions inside and outside the court all oppose the policies," the emperor should follow those feelings and opinions to abolish the Green Sprouts Policy. Cheng Hao thought that the emperor's learning from the critiques held by the superior men and his full consideration of the feelings of common people would be integral parts of his self-cultivation. The correct way of the emperor's self-cultivation determined the successful establishment of the ideal political order. In his view, the current activities of the emperor and other drafters of New Policies had deviated from the correct way of self-cultivation. Those activities therefore should be criticized and corrected.

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[270] Cheng Hao, "Zai shang shu 再上疏," Henan chengshi wenji juan diyi 河南程氏文集卷第一, Ercheng ji shang 二程集上,457

[271] Cheng Hao, "Jian Xinfa shu. 諫新法疏"Henan chengshi wenji juan diyi 河南程氏文集卷第一, Ercheng ji shang 二程集上,457

Cheng Hao rejected Wang Anshi's claim to having discovered the dao from the Classics. Instead, he held that the dao can be learned from daily life. As Cheng stated,

> There is no need for the student to seek [the principle] far afield; the simplest course is merely to find it near at hand in himself, understanding the principle of benevolence and [maintaining] principle with integrity.[272]

Cheng Hao rejected both Buddhism and Wang Anshi's external pursuit of dao. As his disciples later described,

> Mingdao (Cheng Hao) once talked to Wang Anshi and said, "Your speaking about the dao is just like talking about the Dharmacakra atop the thirteen-storied tower. You stare at the tower and clearly talk about how it looks, but as an honest and straightforward person, I will not do what you did. I would rather immediately go into the tower to search for its top. I will work hard to climb up and slowly go up until reaching the thirteenth story. Although I cannot see and talk as you do, I will soon be actually in the tower. Since I will be closer and closer to the top, I will probably arrive there. When I have already sat in the Dharmacakra, I will find that you are still facing the tower and talking about how the top looks."
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> Jiefu (Wang Anshi) only spoke of dao. He said "I know dao is there and it is so and so." However, when he speaks of the dao, he has already deviated from the dao. He does not know that when he speaks of the dao, that the dao he speaks of is not the dao. The sages who followed the dao also said things, but they only said common things. When Mencius said Yao and Shun follow their nature to do things, and said Shun did things by following benevolence and righteousness, his sayings were just common words. There is no need to talk about the words "nature" and "following moral principles" because people can clearly realize them by themselves.[273]

Cheng Hao's critique of Wang Anshi stressed that Wang only had superficially described an abstract principle that was empty and difficult to recognize. Cheng believed that the dao could not exist on people's lips. The principles and norms that can only be spoken of are not dao. Dao has to be realized in the mind. In Cheng Hao's

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[272] Henan Chengshi yishu juan er shang 河南程氏遺書卷二上, Ercheng ji shang 二程集上,21

[273] Henan Chengshi yishu 河南程氏遺書 v1, Ercheng ji shang 二程集上,5-6

view, the dao was simple and people could recognize it in their mind without defining it. The real challenge for learners, therefore, was how to maintain their integrity and composure so as to preserve their knowledge of dao, rather than producing difficult words and expressions to speak of it.

The self-cultivation in Cheng Hao's line of reasoning involves the process of handling the proper relationship between the learners' subjective and external worlds rather than forcing students to learn the complicated interpretation of the Sages' minds. Unlike Su Shi, who integrated discourse about subjects' comfortable feelings and trustfulness into his logical framework on the political order, Cheng Hao mainly emphasized the mental state of the rulers. For Cheng Hao, the process of establishing the ideal relationship between the ruler's subjective world and external things is self-cultivation, the realization of principle in his subjective world. The ruler's mental world is the basis for the political order. In Cheng's description, the mental state of the subject in responding to the ruler's self-cultivation does not appear as a necessary standard for defining the ideal political order.

Cheng Hao described the moral principle of benevolence (ren) as follows:

> Medical books used the term "unfeeling" (not ren) for numbness in the hands and feet; this is an extremely good way to describe it. By benevolence, heaven and earth and the innumerable things are regarded as one substance, so that nothing is not oneself; and when this is recognized there is nothing one will not do for them. If they are not possessed in the self, naturally they are of no concern to it; just as when hands and feet are "unfeeling," the humour (qi) does not circulate through them and they no longer belong to oneself. Hence Confucius said that by "giving widely and assisting all" the qualities of the Sage are realized in practice; but since benevolence is extremely difficult to describe, all he said of it was "wishing to stand oneself, help others to stand; wishing to arrive oneself, help others to arrive.

> An ability to judge the needs of others by one's own may be described as the means to apply benevolence." By making us look at benevolence from this point of view, he wished to help us grasp what it is.[274]

Self-cultivation refers to "knowing benevolence." According to Cheng Hao, the four other moral principles of "duty, propriety, wisdom and good faith" are "all benevolence."[275] Learning to be benevolent is the process of erasing the boundary between the learners' internal and external worlds Such a process is described by Cheng Hao as regarding the external things as one undivided substance with the self. As Cheng Hao described, "By benevolence heaven and earth and the innumerable things are regarded as one substance, so that nothing is not oneself." The implication of this statement is that the learner should fully feel the feelings, emotions, ideas and interests of other people, just like they feel their own hands and feet. In Cheng Hao's thought, the external world does not exist far afield. It is reflected in people's subjective world because the feelings of the people in the external world can be felt by a learner just as the learner's own innate feelings.

In his critique of the New Policies he stressed that their drafters ignored the opinions and feelings of the public and only followed their own intentions. The gap between subject and ruler in feeling the effects of the policies therefore becomes serious. This problem had already made the monarch deviate from the correct way of self-cultivation and betray the dao.

Chen Xiang

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[274] Henan Chengshi yishu juan er shang 河南程氏遺書卷二上, Ercheng ji shang 二程集上,15

[275] Henan Chengshi yishu juan er shang 河南程氏遺書卷二上, Ercheng ji shang 二程集上 17

In his critique of the New Policies Chen Xiang also held that the monarch should follow public opinion and annul the Green Sprouts Policy, but the logic of his argument is different from that of the intellectuals we have discussed so far. Chen Xiang's logic originates from his understanding of a common human nature, endowed by heaven and therefore good. As Chen Xiang held,

> Human nature is good. This nature is most central and most unbiased and is regarded as the standard for people. The bad thing that is not part of human nature is human desire.[276]

According to Chen Xiang, human nature contains five principles: benevolence, righteousness, propriety, wisdom and faithfulness, all of which are possessed by all people equally. Chen Xiang further clarified the manifestation of these principles. As he held,

> When people are born, [their mind] is quiet. Before emotions and desires are aroused, it is transparent. The mind of commiseration exists [from the beginning]. This mind is that of benevolence. The mind of shame and dislike is righteousness. The mind of respect and deference is propriety. The mind of knowing right and wrong is wisdom. The mind of honesty is faithfulness. People already have these five minds before learning. This is why we say they are endowed by heaven. Human nature and heaven-and-earth both originate from the dao.[277]

Chen Xiang further clarified two kinds of emotions(情) that people will have when stimulated by external things. Good emotions were guided by human nature, while bad emotions were caused by human desire. If people's desires do not disturb

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[276] Chen Xiang, "Zhong Yong jiangyi 中庸講義," Guling ji 古靈集 v12, yingyin wenyuange sikuquanshu,景印文淵閣四庫全書 (Taiwan: Shangwu yinshuguan, 1987) 1093-598B.

[277] Chen Xiang, "Zhong Yong jiangyi 中庸講義," Guling ji 古靈集 v12, yingyin wenyuange sikuquanshu,景印文淵閣四庫全書 (Taiwan: Shangwu yinshuguan, 1987) 1093-599A

their mind, their responses to external things will automatically be good because their human nature guides such responses. As Chen Xiang argued,

> Seeing an innocent person killed, all people have the emotion of commiseration. This is what we mean by saying that people's minds are all benevolent. People have such a mind, but still do evil things because desire disturbs the mind. When doing things that are not righteous, all people have the emotion of shame. This is what we mean by saying that people's minds are righteous. People have such minds, but still do unrighteous things because desire steals [the good] mind. …[278]

In Chen Xiang's discourse, he repeatedly emphasized that the emotions caused by human nature are common(共) to all people, regardless of their level of knowledge. These reactions, in the context of the process of implementing policy, constitute public opinion. Because public opinion is not disturbed by a desire to pursue private interest, it represents the dao and therefore should be taken as the standard for judging policies. As Chen Xiang elaborates,

> The dao of heaven-and-earth is conveyed by public opinion. If public opinion is ignored, the dao in policy will disappear. All people have the mind that makes correct judgment. This mind comes from human nature, which represents principle. The sages and the common people have no difference on this point. When making judgments, if people's minds have no bias, their words will be fair. If they can be thus, even the judgments made by illiterate men and women have utility that can be accepted, not to mention [the judgments] made by the literati and superior men. When making a policy, those who rule the common people always say "We have carefully thought about the policy and deeply discussed it;" therefore they do not seriously consider public opinion. They even regard such opinion as conventional and refuse to consider it. Public opinion is created before emotional bias appears, but it disappears when people compete to best others. The monarch has to be clear about this problem. If only you yourself think the policy

[278] Chen Xiang, "Zhong Yong jiangyi 中庸講義," Guling ji 古靈集 v12, yingyin wenyuange sikuquanshu,景印文淵閣四庫全書 (Taiwan: Shangwu yinshuguan, 1987) 1093-600A

> is right but all others regard it as wrong, or if only you yourself think the policy is wrong but people in heaven-and-earth all take it as right, your majesty should not do this. …Therefore when the monarch wants to get suggestions from people, he should ignore whether these people are rich or poor, distant or close, wise or foolish. He should only worry about whether the people who help him make plans are insufficient in number, and whether the number of people who discuss the policy are not broad enough [in scope].[279]

According to Chen Xiang, in contrast to the common people's unbiased attitudes, the drafters of the New Policies had involved themselves in pursuing their own private interests. No matter how much more knowledge they had relevant to the policies, their opinions were wrong because their desires and private interests had led them astray. Their bias prevented them from seeing that people commonly opposed the Green Sprouts Policy and other New Policies. In Chen Xiang's mind, the policymakers should definitely accept these critiques because the critiques had no bias since they did not reflect private interest.

Zhang Jian

Zhu Xi considered Zhang Jian to be intellectually similar to his brother Zhang Zai 張載 (1020-1077).[280] As the Acting Investigating Censor, Zhang Jian was very active in criticizing the New Policies, which led to his withdrawal from the court. Among his relevant memorials, only one is preserved, but it illustrates Zhang Jian's reasoning that led to his advice for policy makers to follow public opinion. Zhang Jian argued,

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[279] Chen Xiang, "Shang shenzong qiba zhizhi sansi tiaoli si 上神宗乞罷制置三司條例司," Songchao zhuchen zouyi xia 宋朝諸臣奏議下, (Beijing: Beijing daxue chubanshe, 1999), 1193

[280] Zhu Xi, "Zhang Yushi xing zhuang 張禦使行狀," Yiluo yuanyuanlu 伊洛淵源錄, v6

I truly believe that people all think Your Majesty is sagely and illuminating and perfectly impartial, because when you act, you definitely follow principle. You are not for anything or against anything; you follow the principle of rightenousness as the standard. Because previous suggestions said the policy is convenient, you temporarily put it into practice. If you can change and abolish it now after knowing of its harm, you can be said to be following the mind of people and accomplishing the affairs of the country …Therefore [the Book of Changes says], " [People] should not have intentions, certainty, inflexibility or egotism." It also says, " [People] should act when the situation requires them to act; [people] should stop when the situation requires them to stop. The principle of righteousness that the Book of Changes conveys requires that [people behave] in accordance with the situation. Does your Majesty have any materials interests to pursue? You only should pursue the principle of righteousness. Nowadays public opinion hates the policy and people in heaven-and-earth are greatly disturbed, but Wang Anshi still wants to conceal his mistakes. The arguments he holds are very narrow. He cheats and intimidates people. He has been devoted to expunging correct opinions. These are the reasons why I should criticize him, even if I die for that. The principle of righteousness requires that I not follow him. I am irreconcilable with him.[281]

Zhang Jian stated that people held a unified attitude against the New Policies, and that the public mind should determine the ruler's actions. Those in government should not stick to their own private interests and indulge their own intentions, but instead should follow(順) the public mind so that they can be said to be following the principle of yi, and abolish the Green Sprouts Policy. Because of Wang Anshi's rejection of correct judgment, Zhang Jian declares himself irreconcilably opposed to him in order to protect the principle of righteousness.

His view of public opinion as an actual situation existing in the external world differentiated Zhang Jian from Cheng Hao, Su Shi or Chen Xiang. Public opinion in Zhang Jian's viewpoint is not an external thing that the ruler should "feel," but rather

[281] Zhang Jian, " Shang shenzong lun xinfa," Songchao zhuchen zouyi xia 宋朝諸臣奏議下, (Beijing: Beijing daxue chubanshe, 1999), 1230

represents a changing situation that the ruler should absolutely follow. The ruler's following of public opinion is taken as following the principle of yi, which is the essential principle held by Zhang Jian as guidance for people's activities.

Su Shi also emphasized that rulers should not indulge their own intentions and private interests. However, he did not take the unified public view as a real situation. Su Shi describes the real situation that rulers should consider their response to as the existence of multiple choices that people might make in following their human nature. Zhang Jian, however, did not focus on this diversity.

Chen Xiang believed that public opinion represented moral principle and therefore should be considered by the ruler. By this logic, public opinion is the form that conveys principle. Following public opinion therefore constitutes following principle. Zhang Jian, however, regarded the public mind as the same as the actual situation, rather than the same as the principle of yi. Chen Xiang's discourse, however, took public opinion as the representation of moral principles. He therefore goes no further in his articulation of the moral features of the ruler's actions.

In this chapter I have discussed how various lines of reasoning guided critics to formulate their critiques of the Green Sprouts Policy. In Chapter Three I will discuss how the worldview of the critics caused real political consequences at court. I will explain why purges based on factional lines became the measure for dealing with different opinions in the policy making process.

CHAPTER THREE

From Toleration to Exclusion: Policy Formation Mechanisms among Political Elites during the Rural Credit Policy Making Process (1069-1071)

Chapter two has discussed the thought on state building of major political thinkers other than Wang Anshi during the New Policies period. The participants in the debate over the Green Sprouts Policy (or Rural Credit Policy) represent some of the most influential intellectuals of the period, who not only shaped the landscape of intellectual history in the mid-eleventh century but also had a great impact on the subsequent years of the Song dynasty and even the broader canvas of Chinese intellectual history. We have seen some of the richness of the intellectual resources on the issues of governance that Chinese political thinkers in eleventh century developed out of their common concern with shaping collective action and adaptive governance. The history of political thought not only presented different possibilities for change, but also great tension between these possibilities. Taking the Green Sprouts Policy as a case, I have discussed how these thinkers viewed Wang Anshi's political thought and economic policies within their own logical frameworks, which them different interpretations of the concepts such as "wen," "dao," and human nature (xing), and the relations between those concepts. Chapter two has explored why those thinkers rejected Wang Anshi's entire economic plan, rather than focusing on revising specific policies.

As leading figures with influence on the political elites at the court, these intellectuals organized widespread opposition to the Green Sprouts Policy in the

initial years of the New Policies. Critics included not only intellectuals with an integrated worldview of the political order, but also officials who had different views from Wang Anshi on the meaning of the Classics, the consequences of the policies and the features of the existing political mechanism. The question of how to overcome such oppositions to implement the policy was therefore a major challenge for the makers of the New Policies. For the critics, meanwhile, their challenge was to address the New Policies makers' systematic worldview and the policies and actions that were guided by such views.

In this chapter, I will focus on the conflict-solving mechanisms between the Emperor and political elites at the court during the process of developing the Rural Credit Policy (1069-1070). I will demonstrate that during this critical juncture, two alternatives emerged for treating dissenting opinions on policy. The first alternative was to admit that all debaters shared the common goal of promoting public governance even if they held very different opinions of policy. Conflicts over beliefs and practices would be allowed to persist in the policy making process, and even if the policy makers did not adopt the opinions of the critics, there would be no retaliation against them. The debate would be limited to the policy field, without attacking the personalities or factional alliances of the critics

The second alternative was to deny the common ground between debaters and to treat dissenting opinions as the product of opponents' personalities, moral features and factional affiliations. The focus shifted from resolution of policy problems to the

character and factional alliances of the other side. Once a person was judged as belonging to an evil faction, every action he took would be opposed. Each side adopted an irreconcilable attitude, fully ignoring the possible merit of the opinions of opponents. Opponents would also be purged from policy-making circles because the policy makers thought this would be a way to discipline the mental state of other policy participants, to make them apprehend and follow the intentions of the emperor.

In this chapter, I address the following question: Why was the first alternative replaced by the second at this critical juncture? Why did the debaters fail to maintain their common commitment to the goal of improving the public good, or establishing a deliberative mechanism that could lead them to collectively figure out an preference for the state?

In this chapter, I will trace the mechanisms of conflict resolution among political elites at the court during 1069-1071. My discussion starts from 1069 because the Green Sprouts Policy was promulgated in the ninth month of that year, provoking great opposition soon thereafter. Those who actively criticized the Green Sprouts Policy included acting and former Grand Councilors, Assistant Civil Councilors, leaders of the Bureau of Military Affairs, leaders and officials in the Censorate and Remonstrance Bureau, Hanlin academicians, Attendant Officials who had the privilege of drafting the Emperor's edicts and directly discussing affairs with him, and important provincial level leaders. My study ends in 1071 because by that time the critics of the Green Sprouts Policy at the court had been purged from decision-making circles by the advocates of the Policy.

I argue that the worldviews of both sides shaped the way they perceived and interpreted feedback and problems in the process of policy implementation. Fundamentally different philosophical interpretations of human nature, self-interest, and the dao caused them to form very divergent interpretations of those problems. When Han Qi harshly criticized the Green Sprouts Policy, both Wang Anshi and his critics interpreted shi even from their own perspectives. Shenzong's support for Wang Anshi's view stimulated critics to use "public opinion" to criticize Wang Anshi's response to Han Qi. The drafters of the New Policies also changed their focus from the critics' personalities to their factional alliances. Faction formation led to irreconcilable attitudes. The policy makers' goal of disciplining people's minds for the purpose of making them follow the emperor's intention led them to purge critics from policy making circles. This historical mechanism caused great change in the modes of conflict resolution.

Competing Rationales for Resolving Dissenting Opinions before and during the "Han Qi Event" (1068.1-1070.2)

Two competing rationales for resolving dissenting opinions coexisted in the views of policy makers during the policy implementation process. The first rationale gave priority to the utility of opinions to resolve actual problems, independent of any personal characteristics of the individuals who expressed those opinions. The political deliberation process focused on crafting the best solution, incorporating dissenting opinions on their merits. The second rationale, however, took the political and moral characteristics of the presenters as the determinative factors for judging their opinions,

perceiving those characteristics as fundamental to the political order. The major concern of the policy makers was not the value of opinions, but characteristics such as presenter's morality, political ideology, personal experience and network and political and social influence. Policy makers would attack and purge opponents on this basis, even when their opinions addressed significant problems in the policy implementation process.

Wang Anshi clarified these two rationales in his first conversation with Emperor Shenzong in the fourth month of 1068. In a memorial entitled "[Why] This Dynasty has Enjoyed a Hundred Years Without Disaster 論本朝百年無事劄子" submitted right after the meeting, Wang Anshi begins by celebrating Emperor Renzong's open-mindedness toward differing opinions. Wang thought this had advantages because it would help the Emperor avoid being misled by bad advice. Because the state's broad channels for expressing opinions gave the Emperor access to all kinds of information, evil people would be discovered even if they were temporarily appointed to positions of power, and talented literati would also be discovered by the system even if they might occasionally be blocked[282]

However, in Wang Anshi's view, this approach principle would not permit the Song state to achieve true greatness. He argued that Emperor Renzong's toleration had in fact allowed the court to become filled with mediocrities and outright villains who were treated by Renzong on equal terms with the talented and worthy. Bad policies were repeatedly adopted, even if correct views were not excluded from the

[282] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v3,P94

debate. The Emperor passively allowed all of this to happen without making an effort to correct problems by following his own correct view.

In Wang Anshi's mind, the Emperor should have the insight to discern the true mental state of his subordinates. Wang used the concepts of "ming 名" and "shi 實" to in evaluating suggestions on policies. Words and actions as were "appearances (ming 名)" that needed to be interpreted. The Emperor should penetrate men's superficial words and actions to see what they in fact meant. Distinguishing appearances from the true meaning by the emperor could determine who should be categorized as petty men.[283] In this view, the value of policy suggestions could not be determined until the motives of critics were distinguished. Wang Anshi questioned the unconditional accommodation of different views, arguing that policy makers should first figure out which critiques were made with evil intentions. For example, the economic policy that he proposed was going to harm the economic interests of the engrossing families, so those families could be expected to make every effort to express their opposition through sympathetic officials. In truth those critics only served the economic interests of the engrossing families, rather than representing the common people.[284]

The Emperor therefore should not direct his attention to whether those opinions could efficiently resolve concrete problems faced by the government. Rather, he should focus on discovering the real intention or motives of the critics. People's words and actions were important not because of their contribution to the revision of policies,

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[283] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v, 94

[284] XCB v223 P5433

but because those words and behavior revealed their true intention, the Emperor could then respond to them based on his judgment of their intention.

In Wang Anshi's view, members of the government could be categorized into three essential types: 1) the superior men who followed the dao with clear thinking and were effective; 2) the petty men who were flawed due to their wrong learning, bad personal characteristics and affiliation with other petty men; and 3) the mediocre majority who did not stick firmly to any category, possibly becoming either superior men or petty men depending on who influenced them. He thought that superior men should be rewarded by the Emperor and petty men eliminated. Only when the Emperor had undertaken these measures could the mediocre be corrected and the civic mores guided onto the right trajectory.[285]

Wang Anshi's view of his critics was not fully accepted by Emperor Shenzong until the second month of 1070. The Emperor's major consideration before that was to resolve the real problems that had emerged after the initiation of the Green Sprouts Policy. To this end, he needed to gather advice broadly and select the best measures offered. The court also sought to pacify critics' dissatisfaction with the policies by allowing them to express their opinions.

Shenzong's open-mindedness towards dissenting opinions can be seen in his response to Su Shi's critique of Wang Anshi's suggestions for reforming the examination system. In the fifth month of 1069, Emperor Shenzong called upon his court to discuss the possible reform of the civil examination and school system. As we

[285] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v4, 153

have seen in the second chapter, Su Shi's vision of an ideal political order led him to oppose Wang Anshi's effort to substitute the poetry section with the Classics in the civil examination. Emperor Shenzong showed great interest in Su Shi's memorial and called for a meeting with Su Shi. Even though Wang Anshi had clearly told Shenzong that Su Shi's entire intellectual framework was fundamentally different from his own, Shenzong still suggested inviting Su Shi join the agency that draw up the New Policies.[286]

In the ninth month of 1069, the court required that the Green Sprouts Policy be implemented in the circuits of Jingdong, Hebei and Huainan. The court did not require other circuits to carry out this policy unless they thought that local situation was suitable.[287] However, only two months afterward, the court extended the Green Sprouts Policy to the rest of the country.[288] The extension of the policy to the national level, however, caused a multitude of problems due to differences in local conditions. In the first month of 1070, the Remonstrance Bureau officials Li Chang and Sun Jue submitted a memorial criticizing the policy implementation process in Hebei circuit. According to this report, Wang Guanglian, the Fiscal Intendant in Hebei, imposed quotas for making loans according to household grade.[289] Sima Guang had also discerned that local bureaucrats in his native Shanxi were forcing farmers to borrow from the government. He reported this problem in person to the Emperor as evidence

[286] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v4, 188

[287] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,239

[288] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,269

[289] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,298

of the failure of the policy.[290] Moreover, the Finance Planning Commission at the court also received complaints from local officials that the newly appointed officials in the Stabilization Fund Supervisorate who were in charge of the Rural Credit Policy had began to interfere with local administrative affairs that should be managed by other local agencies.[291]

In responding to these problems, the court issued an edict in the first month of 1070. According to the edict, the central policy makers emphasized that the intention (yi 意) of the Green Sprouts Policy was to protect the poor. Local bureaucrats had not grasped this intention, instead forcing rural households to take their loans even hen thy did not need them. The court therefore ordered the circuit Judicial Commissioners to investigate. The rationale that guided such a response to these problems was to resolve concrete difficulties based on the investigation of actual local conditions. This way of dealing with problems was supported not only by the Emperor but also by the Grand Councilors Chen Shengzhi and Zeng Gongliang, who had previously given Wang Anshi strong support.

Wang Anshi, however, thought that it was too simple to conclude that local bureaucrats had been forcing the farmers to take out loans - there must be also situations in which the farmers needed those loans. Therefore the edict also directed local bureaucrats not to repress the peasant's interest in borrowing money.[292]

By the first month of 1071, policy makers' perceptions of what had actually

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[290] SHY shihuo 4/18

[291] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,198

[292] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,298

happened at the local level had greatly diverged. The focus of both sides was on whether local bureaucrats forced the farmers to accept the loan against their will, or obstructed the peasant's borrowing of money due to their inertia. Neither side could find enough evidence to win the other over, because local variations provided them with enough ammunition to support either argument.

Wang Anshi could never have expected that only one month later he would have to face a much more serious crisis, one that almost caused the abolition of the Green Sprouts Policy. In the second month of 1071, Han Qi submitted a memorial harshly criticizing the Green Sprouts Policy. This initiated a new process of debate and deliberation at the court that reshaped the rationales and practices of both supporters and opponents in treating each other's opinions.

Han Qi had been the Grand Councilor during the reigns of both Renzong and Yingzong. His reputation and status gave him great influence over the Emperor and other officials even after he resigned as Grand Councilor in 1067 and was appointed as the Manager of the Affairs of the Daming Superior Prefecture in the Hebei, one of the four capitals of the Northern Song dynasty.

Han Qi's memorial included anecdotes about local bureaucrats' erroneously implementing policies, his charges that some policies had deviated from their stated intentions, and his prediction that was based on his understanding of people's behavior and self-interest would cause financial risk.

Han Qi mainly identified three problems that thwarted the goal of increasing productivity by suppressing engrossers and protecting small farmers. In his view all

those problems were caused by the self-interest of the policy makers and local bureaucrats. The first problem was with the recipients of the loans. As he pointed out,

> It is the rural households of grade three and above and the propertied urban and suburban households that have heretofore been the "engrossing families." Now they are all given loans and charged 1,300 cash for every 1,000. The government is simply chasing after interest payments. This measure absolutely contradicts the stated intent of the policy to suppress engrossers and aid those in need.[293]

In his later reply to Wang Anshi's refutation, Han Qi further clarified his point by stating that this problem was caused by officials' pursuit of more profit by forcing loans upon the engrossing families.[294]

Second, Han Qi predicted that the self-interest of both bureaucrats and poor people would result in unintended financial risk to the government. Local bureaucrats would seek to loan more money to avoid the punishment, but because wealthy families had no great interest in borrowing, the bureaucrats would allow poor families to borrow despite their lack of solvency. Han Qi warned that in the future, to recoup those loans the local bureaucrats would have to force the leaders of the guarantee groups to repay the loans of the poor, or to use coercive measures to force the poor to repay their loans. Either of these measures would cause great instability to the social order. Han Qi buttressed his argument by pointing out the diversity of environmental conditions in different localities. As he pointed out, during the local experimental stage of the Green Sprouts Policy, Shanxi showed good results. The small farmers

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[293] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,302

[294] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,331

could get loans and repay them in the next year. This result could only be achieved, however, in good weather without any natural disasters. He argued that such good conditions would not always prevail in other localities. If natural disasters occurred in other localities, the farmers would have no money to repay the loans. Thus, spreading the policy into other regions would be rash.[295]

Han Qi's third point was that bureaucrats in Hebei had given priority to the loan policy while overlooking their original task of strengthening capacity in the policy field of social relief. He notes that in 1069, the Hebei circuit had a big harvest and the market price of rice fell dramatically. This should have been an opportunity for local officials to purchase the rice in bulk to prepare for future shortages. The circuit officials concentrated, however, on charging the thirty per cent interest from the loans, directing their subordinates to focus on loan collection. The government thereby lost a valuable opportunity because of the self-interest of the local officials.[296]

Han Qi's proposition was that the self-interest of policy makers, bureaucrats and other social groups could never be eliminated, and their pursuit of self-interest would lead them to destroy the original intentions of the drafters of the New Policies. Based on such a belief, Han Qi suggested that the Emperor abolish the entire Green Sprouts Policy rather than revising it.

Other critics supported Han Qi's opinion after he submitted this memorial. The Administrator of the Bureau of Military Affairs, Chen Shengzhi, and Grand Councilor

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[295] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,302

[296] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,303

Zeng Gongliang clearly showed their agreement in conversations with Emperor Shenzong and Wang Anshi. Lü Gongzhu, the Vice Censor-in-Chief who headed the Censorate, as well as other officials in the Censorate and Remonstrance Bureau such as Li Chang, Cheng Hao and Zhang Jian, all supported Han Qi in their memorials to the Emperor. Sima Guang and Su Shi did not connect their critiques with Han Qi's but they submitted new critiques soon after Han Qi's memorial was sent.

All these critiques shared Han Qi's argument that the self-interest of those tasked with implementation had caused the policy's deviation from its original intention. Critics such as Lü Gongzhu and Su Shi held that the local bureaucrats would inevitably force farmers and wealthy people to borrow money, provoking fear and turmoil among the local people and threatening the social stability.[297] Sima Guang's memorial from the same month presents new arguments resembling those of Han Qi beyond his previous critiques of the Green Sprouts Policy that had emphasized the extortion of farmers by bureaucrats. As we have discussed in chapter two, Sima Guang stated in this new memorial that the poor farmers had their own interests, and due to their pursuit of self-interest they would borrow money even if they had no capacity to repay the loan. The wealthy people in their guarantee group therefore would have to make up for the government's loss by using their own money. Bureaucrats eager to show their succeed in putting the policy into effect, making loans and earning interest, would take a laissez-faire approach to regulations. This would

[297] Lü Gongzhu 呂公著, "Shang Shenzong qiba tijuguanli jizhusan qingmiaoqian 上神宗乞罷提舉官吏及住散青苗錢," Songchao zhuchen zouyi 宋朝諸臣奏議,1210-11; Su Shi, "Shang Shenzong lun xinfa 上神宗論新法" Songchao zhuchen zouyi 宋朝諸臣奏議,1217-18

not only increase financial risk while exhausting the government's reserves of material for social relief, but would also hurt the wealthy. The state's capacity to deal with natural disasters, national defense and social rebellion would be seriously damaged by this policy, Sima Guang argued, so he absolutely opposed it.[298]

Su Shi also argued that it was inevitable that bureaucrats would pressure people to borrow money, and furthermore that they would have target the wealthy with loans because otherwise it would be difficult for them to obtain repayment and escape official sanction from superiors.[299] Su Shi in fact implied that the institutional context and incentives that the New Policies established would guide the self-interest of the policy implementers unwilling to destroying the social order.

Analysis of the critics' opinions shows that their irreconcilable attitudes towards the Green Sprouts Policy originated from their understanding of the self-interests of the policy participants, and their belief that the contemporary institutional context would not prevent the policy from being captured by those interests. Because their propositions were so similar, the evidence they used and the arguments they presented were much alike. They denied any possibility of revising the policy or building a new institutional context that could regulate these self-interests onto the right track. In sum, they provided no alternative to the abolishment of the Green Sprouts Policy. The Emperor thus had to face two choices: either stick to the policy or abolish it, without any middle ground.

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[298] Sima Guang, "Shang henzong qiba tiaolisi ji changping shizhe 上神宗乞罷條例司及常平使者" Songchao zhuchen zouyi 宋朝諸臣奏議,1211-1213

[299] Su Shi, "Shang shenzong huangdi lun xinfa 上神宗皇帝論新法," Songchao zhuchen zouyi 宋朝諸臣奏議,1217-18

Wang Anshi's response to these critics had two steps. First, he sought to prove that the policy itself had followed the conceptions of the Sages in the Classics. The problems were therefore not caused by the policy itself, but by the wrong mental states of those who implemented it. Secondly, Wang stated that all of the problems that the critics predicted could be prevented if the state could guide people's self-interests onto the right track by building the right institutional context to discipline the mental state of the policy's participants. Once the correct interactive dynamism had unfolded between people's minds and this context, their self-interest would guide the policy to its original goals. He therefore suggested that the attention of policy makers should be shifted to the issue of how such an institutional context could be built.

The deliberation process between Emperor Shenzong, Wang Anshi and other high level officials shows how in facing limited choices, Wang Anshi's reasoning ended up convincing the Emperor to accept his scheme. When the Emperor received Han Qi's memorial, his first response was to assure that Han Qi's true intention was to improve the Emperor's governance. Shenzong expressed his surprise that the Green Sprouts Policy had damaged the common people in his conversations with Wang Anshi and Chen Shengzhi. His attention focused on two of the points that Han Qi had revealed in the memorial, namely that engrossing families had received the loans and that local bureaucrats forced people to borrow the money.

In answering Shenzong's concerns, Wang Anshi first sought to prove that the policy makers were not guided by self-interest. As he argued,

> You Majesty made the Green Sprouts Policy as a way to make life easier for the common people. The collection of interest is a policy that the Duke of Zhou adopted. A man like Sang Hongyang in the Han dynasty monopolized the money and goods of the whole country to serve the private interests of his master. He guided the Emperor on a tour of prefectures. The Emperor wasted several million strings of cash in rewarding others. All these costs were provided by the revenues gained by their economic polices. Sang Hongyang can be called an official pursuing material profits. You majesty has [in contrast] greatly enlarged the reserves for social relief. You repress the engrossing families and cause the weak and poor to prosper. You have established offices to manage the wealth of the nation. You do this not to satisfy your own private interests. How can it be said that you employ officials who only pursue material interests?[300]

As we have discussed in the first chapter, Wang Anshi believed that the Emperor had truly discovered the conception of the Sages. He therefore had the exclusive authority to implement such conception in the policies he made. This was the precondition for unfolding his scheme of building a mechanism to guide other participants' self-interest. Only if the new policies had followed the dao, could their drafters lead others to apprehend this dao. By proving that the policy followed the conception of the Sages rather than the private interests of the Emperor, Wang Anshi emphasized that the policy was correct. His implication was that the problems that Han Qi revealed could not be used as reasons for overthrow the policy. After making clear this precondition, Wang Anshi went on to illustrate that all the problems that had appeared during the policy implementation process could be overcome if people's self-interest could be correctly guided.

After hearing Wang Anshi's clarification about the Emperor's incorporation of the Sages' conception into the policy, Emperor Shenzong showed his agreement. He then asked Wang Anshi how to explain why the policy loaned money to wealthy

[300] SHY shihuo 4/20

urban families. Wang Anshi replied,

> The reason we allow wealthy urban families to borrow money is because we have abundant capital for the loans. After guaranteeing the satisfaction of the rural peasant's needs, we still have capital left. We use this capital to make up for the insufficient funds of the urban merchants. By loaning money to them we can also enlarge our stores in the local Ever-Normal Granaries. After we enlarge the stores, we will have more money to aid the common people in the event of natural disasters. I really do not know how can we say that this policy breaks the principle of righteousness.[301]

By arguing that loans to urban wealthy people served the goal of protecting small farmers, Wang predicted a very different consequence of this policy from Han Qi. In Han Qi's reasoning, the bureaucrats loaned money to urban families because they wanted to collect more interest to satisfy their superiors and gain more funds for their own purposes. In Han Qi's mind, the bureaucrats would inevitably ally with the engrossing families and protect their interests because they overlapped with their own. Guided by such a rationale, bureaucrats would not consider the interests of small farmers because they offered no benefit for the bureaucrat's own interests.

Wang Anshi depicted a very different mechanism, however. The bureaucrats, in his view, knew that the goal of the policy was to help the rural peasantry. They would first satisfy this goal. However, they also had a long-term strategy to increase state capital by enlarging the scope of financial services to other social groups that had a need for capital. The bureaucrats made all the resultant earnings serve the public good, such as social relief. Wang Anshi therefore argued that this mechanism followed the moral principle of righteousness.

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[301] SHY shihuo 4/20

In this view, the bureaucrats had fully grasped the intention of the policy makers and their will to pursue private interest had been fully channeled into the policy's purpose of serving the public good. Wang Anshi therefore argued that the policy had a high chance of success. The key to attaining success was to help the bureaucrats reach a mental state that overcame their self-interest. The focus of the policy makers therefore should not be on whether or not the policy should be abolished, but on how to create a means through which the bureaucrats would be educated to achieve this ideal mental state.

In the same debate, Zeng Gongliang restated the concerns of Han Qi and Sima Guang about the financial risks of the Green Sprouts Policy that would result from poor people defaulting and forcing the rich people in the same guarantee group to compensate for their loss. Wang Anshi replied that the institutional context that the government had established would eliminate this risk by correctly guiding people to protect their self-interest. He stated that the guarantee group would make all of its members share the financial risk. Wang Anshi suggested that the Emperor and critics should fully trust the rationale of the people, who would make every effort to protect their interests. Within the guarantee group, the pursuit of self-interest would make members very cautious about any loans that could lead to such a loss, and other group members would supervise the financial activities of the poorer members. From this perspective, Wang Anshi did not want to eliminate people's consideration of self-interest, but rather sought to guide this interest to facilitate the healthy accomplishment of the policy.

Hence Wang differed from his critics in that he did not assume that people's will to protect their self-interest would inevitably cause the failure of policy. Given that self-interest is understandable and manageable, it could be directed to a positive outcome. The government need not closely supervise financial transactions in the market. The only thing it needed was to build the policy environment and shape its impact on people's minds. Wang Anshi was confident that the Green Sprouts Policy would succeed, without forced participation, because the right institutional context had been established.

Both Emperor Shenzong and Chen Shengzhi further addressed the concern that bureaucrats forced local people, especially the upper strata, to borrow money rather than letting the common people take loans according to their own needs. Wang Anshi agreed that this phenomenon must have occurred in some localities, but he did not take such a problem to be insoluble. In his view, the key to resolving this problem was to make the bureaucrats understand the goal of the government and severely punish those who broke the rules. [302]

Another concern that bothered Emperor Shenzong was Han Qi's claim that common people had widely resisted the policy, leading the bureaucrats to force people to take loans. Han implied that compulsion in the implementation of the policy could never be controlled by the court because people's will to protect their private interests would lead them to resist the rural credit policy. Shenzong worried some might use

[302] SHY shihuo 4/20

this discontent to foment rebellion.[303] Wang Anshi put great effort into refuting this claim, because it was key to convincing Shenzong of the feasibility of the policy.

Wang Anshi realized that it was difficult to find direct objective evidence of people's feelings about borrowing money from the government, but he used indirect evidence to argue that common people had great interest in borrowing money. According to Wang Anshi, Han Qi had directed his subordinate prefectural and county officials to submit reports suggesting that the common people in their areas did not want to receive governmentloans. His subordinate officials did not comply, however, because they thought that the common people did indeed want to borrow money from the government. They dared not to force people to borrow any money because that action would betray Han Qi's intention, but despite their fear of Han Qi, they refused to falsely report the situation. Han Qi therefore could not report to the court that he had received any reports from prefectural or county officials renouncing their duties administering loans. Wang Anshi argued that even as Han Qi took great effort to find evidence, he still could not report any such facts in his memorial. All of this demonstrated that the common people needed loans, and were not forced by local officials to get them.[304]

Based on this judgment, Wang Anshi further questioned the reliability of critiques that claimed that people were forced to take loans. He stated,

> The new Green Sprouts Policy helps the poor, constrains the engrossers, and enlarges preparation for disaster-relief for ordinary people. I do not know how this policy could make people suffer. Individual people may be silly, but when

[303] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,304

[304] SHY shihuo 4/21

> collectively they are sages. As a collective, they are not easily instigated. People have full awareness of their own suffering. Taken collectively, the people are not emotional, so their feedback must reflect the real situation. The scholar-officials do have emotions, so what they say must be a deviation from the true situation.[305]

Because the Green Sprouts Policy would greatly benefit the interests of the common people, Wang Anshi believed, they would welcome it. He further reminded Shenzong to examine whether the critiques he received truly reflected the situation or if they only represented the bias of critics speaking for their social group. Wang Anshi took Han Qi's critique as representative of such biased opinions.

In short, Wang Anshi's logic was that the Green Sprouts Policy had followed the intention of the sages and would gain support from the common people. He clearly distinguished the policy itself from the problems of implementation that were caused by the unguided self-interest of bureaucrats. Because the policy was correct, there was no need to abolish the policy; rather, the fundamental work of reformers was to build an institutional context that would either make them recognize the intention of the policy makers, or provide material incentives to guide their self-interest onto the right track to fulfill the policy's goals.

The debates that occurred during the initial stages of the Green Sprouts Policy showed the limited choices available to policy makers in dealing with these problems. The critique was that the policy was created to satisfy the private interest of the policy makers. All the problems that occurred in the implementation process were caused by the self-interest of the policy participants. Because such interest could not be

[305] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,305

overcome, the policy was doomed to fail. The supporters, however, believed that the policy could still achieve its original purpose because the policy makers could discipline the policy participants. Neither of them presented concrete adjustments to the policies to respond to their shortcomings.

Historical developments between the second and the third month of 1070 opened up another possibility for resolving the conflicts initiated by Han Qi's memorial. Emperor Shenzong's initial response to the critics was as follows: the policy makers should allow people to criticize and make correction on the problems that the policy had faced during its implementation process, because the critics shared a common goal of improving the quality of governance. The leaders should try their best to cooperate with those critics so that people with different opinions on policy could fully express their views and feel satisfied. The leaders could also enlarge their solicitation of information and improve their governance by incorporating different opinions. Moreover, debates on policy issues should be kept independent of the debaters' personal fates - such as their careers in government - because these opinions were the products of their common intention to improve governance rather than the pursuit of private interests.

Looking back on his meetings with Emperor Shenzong, Cheng Hao recalled the choice that Emperor Shenzong wanted to make in the midst of deadlock between the two sides. According to his later description, Emperor Shenzong had been convinced by Han Qi's critique and had considered temporarily suspending the extension of the Green Sprouts Policy throughout the country. As his dialogue with Wang Anshi

illustrates, Emperor Shenzong had not been fully persuaded that this scheme for shaping the institutional context would have good results. Moreover, he had realized that the heads of the Bureau of Military Affairs, Wen Yanbo and Lü Gongbi, were also on the side of Han Qi, even though they did not state their position explicitly. He suggested that Wang Anshi should allow people who had different opinions to "exhaust their complaints 盡人言."[306] The policy makers should seriously consider these suggestions and make changes.

Meanwhile, Shenzong did not want to give up the entire policy even though he had faced so much questioning and criticism during the initial stage. He therefore wanted to keep Wang Anshi in the Vice Grand Councilor's position to manage the reform process. Emperor Shenzong had personally told Cheng Hao and Sun Jue that he wanted to keep Wang Anshi in this position even though he would temporarily suspend the Green Sprouts Policy.[307] The Emperor wanted to separate the Green Sprouts Policy from other new policies that the court would implement under the leadership of Wang Anshi, so that opposition to this policy would not influence the progress of the entire reform course. He also wanted to show his openness to suggestions on concrete policy. Keeping Wang Anshi in his position would show both sides of the debate that the acceptance or rejection of particular suggestions on policy would not influence the official position of the opinion holders. This illustrates Shenzong's effort to maintain the mechanism in which political deliberation on

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[306] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,305

[307] "Er xiansheng yushang 二先生語上," Chengshi yishu 程氏遺書 v2

policies would be conducted based on resolving the real policy issues instead of personally targeting the participants in the deliberation.

However, political circumstances made the Emperor's effort in vain. In the second month of 1070, after realizing his difficulty in convincing Shenzong of the feasibility of his plan, Wang Anshi shelved his duties as Vice Grand Councilor and indicated his intention to resign from the position if the Green Sprouts Policy could not be continued.[308] Wang Anshi's reaction indicated that if Emperor Shenzong would not keep the Green Sprouts Policy, the cost would be the failure of the entire reform plan. It also closed the door to Shenzong's original intention of focusing on the Green Sprouts Policy by itself rather than allowing other factors to influence its revision. Any decision on economic policy had to consider the potential cost that it would bring to the entire reform plan and the arrangement of personnel.

Wang Anshi's reaction achieved his purpose. Some critics, such as Wang Zishao, Cheng Hao and Li Chang who had grasped Shenzong's intention temporarily held back their criticism and now turned to support Wang Anshi.[309] By the end of the second month of 1070, Emperor Shenzong was on the same page as Wang Anshi. According to his conversation with Wang, the Emperor had calculated the potential cost of the Green Sprouts Policy, and determined that even if the critics' predictions came true, the gains would be much greater than any possible loss. After hearing

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[308] SHY shihuo 4/21

[309] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,313

Shenzong's comments, Wang Anshi provided Shenzong with another line of reasoning on how to interpret and resolve the problems that Han Qi had revealed. This line of reasoning was fully accepted by Shenzong and became the rationale that guided Shenzong's later response to critics. As Wang Anshi stated,

> If we try our best to implement the policy and do not allow the petty men to intentionally destroy it, we definitely will not lose any money or goods. We previously practiced a policy of loaning money to merchants and requiring them to repay the loans with silk. We practiced this policy for a long time and we have never lost any money or goods. If you Majesty cannot get rid of your mental hesitation, telling the officials that you only want to experiment with the policy, those officials will never cease their criticisms and suggestions. They will order their subordinates to intentionally delay the policy and illegally cause trouble for the common households. Then they will [use this as evidence to] show to court that the policy itself has caused those problems. Therefore You Majesty should clearly show members of the government that the policy will never change. If anyone does not implement it well, we will punish him according to the law. Then no one will dare to destroy the policy, and it will be implemented.[310]

When Wang Anshi suggested that problems might intentionally be caused by the critics themselves to subvert the policy, he rejected the assumption that all critiques were based on a common desire to improve the policy and social welfare. He argued that the policy implementers and critics colluded with each other to intentionally cause problems because they had found that the Emperor was hesitant about the policy. The fundamental reasons for those problems could therefore be overcome if the Emperor could clearly show his determination and seriously punish those who intentionally caused trouble. By adding political intentions into his line of reasoning, Wang Anshi suggested a fundamentally different role for the Emperor: His

[310] SHY shihuo 4/21

focus should not be on resolving actual policy issues, but on correcting people's intentions. The best way to eliminate the critiques that were made by petty men eager to cater to the Emperor was not to show his open-mindedness to criticism, but on the contrary, to show his rejection of those critiques. By this line of reasoning, policy makers should not be responsive to policy issues but to the mental state of the policy implementers and their critics. Building an institutional context to discipline the mental state of officials relied on the Emperor's rejection of false reports about flaws in the policy, the public clarification of the Emperor's intention to the entire bureaucratic group, and the severe punishment of local bureaucrats who betrayed the policy's intention.

A New Rationale for Interpreting Criticism Guides the Responses of Wang Anshi and the Emperor to Policy Feedback

After the twenty-third day of the second month of 1070, Emperor Shenzong had fully accepted Wang Anshi's line of reasoning and used it as his guide for resolving problems in the implementation process. He assumed that critiques were the products of the critics' self-interest, and accepted that the Emperor's response should be to focus on building the institutional context to guide the critics and other policy implementers to overcome these self-interest. As Wang Anshi had suggested, the Emperor decided to clearly show the bureaucrats and broader public his true intention in setting forth the Green Sprouts Policy, lest the proliferation of critiques increase the confusion of local bureaucrats and weaken their enthusiasm for carrying out the policy.

Guided by such a rationale, Emperor Shenzong ordered the Finance Planning Commission to officially and publicly respond to Han Qi's memorial.

A series of actions that Emperor Shenzong adopted between the 23rd and 29th days of this month illustrate how he took Wang Anshi's rationale as his guide in dealing with critics - actions that only intensified the opposition from the Grand Councilors and Vice Grand Councilors. On the 23rd, the Remonstrance Official Li Chang submitted a memorial criticizing local bureaucrats for forcing people to take loans at twenty percent interest. Li Chang's critique resembles those of Han Qi and Sima Guang without any substantial additions. The Emperor's answer, however, differed greatly from his previous responses. After reading Li Chang's memorial, the first response of the Emperor was not to address the problems that the critique revealed. Instead, he criticized the Grand Councilors Zeng Gongliang and Chen Shengzhi because he believed their divergence with Wang Anshi caused these endless critiques from Li Chang and other officials.[311] In replying to the Emperor's blame, Zeng Gongliang and Chen Shengzhi suggested that he should abolish the policy.

Shenzong further questioned the authenticity of the problems that Li Chang pointed to. He required Li to provide further details about which counties had experienced these errors. This order marked a change in the imperial convention for treating critiques from the Remonstrance Officials, a convention that had persisted since the early Northern Song that the Emperor should not require officials to provide any further investigative results in support of their critiques. It was thought that such

[311] SHY shihuo 4/21-22

an action would have a negative influence on those officials' free critiques of the Emperor's policy. Such an irregular command illustrates the Emperor's anxiety to know the true situation. Zeng Gongliang and Chen Shengzhi opposed this command because they thought that the convention should not be broken, but Emperor Shenzong did not follow their suggestion.

Four days after this event, the court received a memorial from Liu Yang, the Fiscal Commissioner of Hebei circuit, reporting that the urban poor who had no property had continued to borrow money with resultant loss of the loans. The Commissioner suggested stopping the loans to the urban poor, instead directing all funds to satisfaction of the needs of the rural farmers. Urban residents should not get loans unless a surplus remained after loans were made to the rural farmers. According to the report, the officials in the Fiscal Commission who made this suggestion had seriously studied the "intent (yi)" of the policy and their suggestions had also followed this intent

With the exception of Wang Anshi, all the other Grand Councilors and Vice Grand Councilors agreed with this suggestion by the Fiscal Commissioner in Hebei. Wang Anshi, however, interpreted this memorial in a very different way. He noted that the Fiscal Commissioner had made the decision to stop granting urban loans before the court had officially agreed. He did this with the permission of Han Qi, without showing proper respect to the central authority. Moreover, the court had previously punished another local official, Wang Guangyuan, for having decided to promote the

Green Sprouts Policy without the permission of the court. According to Wang Anshi, Wang Guangyuan and Liu Yang had made similar mistakes. Wang Guangyuan was anxious to promote the new policies, but he was still punished. If the court tolerated Liu Yang's mistake, local officials would compare his case with that of Wang Guangyuan, speculating that the court had been influenced by Han Qi's memorial and lost its confidence in promoting the Green Sprouts Policy. More critiques would thus emerge as those officials sought to cater to the Emperor by discovering numerous problems with the policy. Because the most important work for the Emperor was to unify local officials' attitudes towards the policy, Wang Anshi suggested that the Emperor should first proclaim that Liu Yang had made a mistake, and then pardon his fault.[312]

Grand Councilor Chen Shengzhi and Vice- Grand Councilor Zhao Bian opposed this suggestion. Both of them disagreed with Wang Anshi's interpretation of this event and argued that it was very normal for local officials to adjust policy when dealing with local situations. However, Emperor Shenzong supported Wang Anshi and accepted his suggestions.[313]

Two days later, Sima Guang submitted a memorial rejecting his appointment as the Vice Commissioner of the Bureau of Military Affairs. Emperor Shenzong had intended to promote Sima Guang to the position before the second month of 1070, despite Sima Guang's harsh opposition to all the new policies. In Shenzong's mind, Sima Guang's views on the policy should not influence his career, as he was an

[312] SHY shihuo 4/23

[313] SHY shihuo 4/21-23

upright person.[314] Sima Guang took the abolishment of all the new policies as the precondition of his acceptance of the appointment, however. Shenzong insisted on keeping the offer open despite repeatedly receiving Sima Guang's memorials seeking to resign. On the 29th of the second month, however, Shenzong changed his attitude and adopted Wang Anshi's interpretation of Sima Guang's memorial. According to Wang Anshi, the appointment of Sima Guang would have a great impact on other bureaucrats' interpretation of the Emperor's view of the new policies. If the Emperor insisted on promoting Sima Guang to such a high official position, officials would be more active in criticizing the policies because they thought the Emperor was incline to accept their suggestions. Emperor Shenzong fully accepted Wang Anshi's interpretation and withdrew the appointment, even though Zeng Gongliang argued that the Emperor should not.[315]

All of these events illustrate the Emperor's changing rationale in his interpretation of criticism after he had made up his mind to stand with Wang Anshi. His response to critiques of the Green Sprouts Policy was not determined by his judgment of the policy itself, but by his evaluation of the influence of the critiques over the entire bureaucratic system. The Emperor paid attention to the seriousness of those critiques and the mental state of the critics. The debate on policy had also come to play a role in the critics' official careers. Such changes raised serious disagreement from other key officials such as Chen Shengzhi, Zhao Bian and Zeng Gongliang. By

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[314] Song zaifu biannianlu jiaobu 宋宰輔編年錄校補 v7,412

[315] SHY shihuo 4/23

the end of 1070, all of them had been demoted.

As Wang Anshi had emphasized to Shenzong, the key to building an institutional context for disciplining the bureaucrats' minds was to clarify the Emperor's intention in framing his policies, to show his determination to stick with these policies, and to punish bureaucrats who did not follow this intention. In order to do this, Wang Anshi personally wrote a document that was promulgated to all levels of government under the auspices of the Finance Planning Commission.

In this document, Wang Anshi begins by explaining that his purpose is to make the officials at the circuit levels grasp the "yi 意" of the court in creating the Green Sprouts Policy. Such "yi" referred not only to the policy makers' intentions but also the key issues that the implementers should strictly follow in order to achieve these intentions. In this document, Wang Anshi directly quotes expressions from Han Qi's critiques, pointing out that his critique had misunderstood the intention of the policy. He also further articulates what bureaucrats should do to guarantee the achievement of these intentions.

Han Qi had criticized the thirty percent interest collected by circuit officials in the process of loaning money to farmers, arguing that this betrayed the stated goal of only serving the interests of the common people. In refuting this charge, Wang Anshi first noted that the Former Kings had collected twenty five percent interest in their loans to the common people. Although the court allowed officials in Hebei to collect thirty percent interest, such a quota only represented the ceiling for interest rates. When loaning money to farmers, the government had to calculate how much grain

and other goods were equivalent to the same amount of money. The borrowers could choose to repay their debt either in money or in other forms of goods, depending on their consideration of market prices. Local bureaucrats should closely observe changes in the price of the grain and other goods and adjust the interest rate accordingly. They would allow the farmers to pay in grain when the price of grain was cheaper than it had been at the time when the farmers originally borrowed the money. The amount of the grain to be repaid was calculated by using the higher price at the time when the loan was borrowed, rather than the lower price when the loan was repaid. The government did not earn any interest, even if the farmers repaid more grain, due to its use of that higher price. Meanwhile, if the grain and other goods had become more expensive than they were at the time when the farmers borrowed money, the government could instead allow the farmers to sell their goods and repay the debt in money. According to the policy, the court would not strictly order precise amounts of money and grain for the farmers to repay, leaving this to the local bureaucrats to adjust depending on their investigation of market prices. No matter how much they collected, however, the amount would not go beyond the twenty-five percent interest rate that the Sages had practiced. Moreover, Wang Anshi also argued that the interest gained from the loans would not be used for any purposes other than social relief.

In refuting Han Qi's critique of the policy as causing local bureaucrats to force upper-grade households to borrow money, Wang Anshi pointed out a way to avoid this problem. He emphasized that the government should follow the interest of the upper grade households and allow them to freely decide whether or not to join a guarantee

group. The upper grade households would make their own calculations on whom they could guarantee and when they should borrow money from the government. They would be happy to borrow money if they thought that such a loan would be of benefit, depending on their actual economic situation. Even if some local bureaucrats seeking promotions tried to force people to borrow money, the existing supervisory structure would prevent such illegal activities. The Fiscal Commissioners and Judicial Commissioners at the circuit level would not have the same interests as these officials; therefore they would strictly supervise them and report their mistakes.[316]

In this document Wang Anshi intended not only to clarify the intention of the Green Sprouts Policy for the bureaucrats, but also to remind them of their own duty in the policy implementation process. At the end of the document, Wang Anshi requires the strengthening of supervision over the local bureaucrats in order to avoid the problems that Han Qi had predicted. All officials at the circuit level should conduct strict supervision and punishment of illegal activities by county and prefectural officials[317].

Wang Anshi's document illustrates that he took his critics as people he could deliberate with. He had seriously considered the problems that they revealed, and tried to figure out the way to resolve those problems. Even though he did not agree with their opinions, he still accepted that they held those critiques because they shared his goal of improving the quality of governance. The intention of Wang Anshi in writing

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[316] Songchao zhuchen zouyi 宋朝諸臣奏議, 1219

[317] The document is preserved in Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7 ,327-334

this document was not been fully understood by his critics, however, due to the persistence of their own worldviews. In the next stage, both sides of the debate began to challenge the previous consensus that they shared the same commitment to public good

The Emergence of Factionalism in the Policy Debate

The promulgation of the Wang Anshi's refutation of Han Qi's critique did not end the debate on the Green Sprouts Policy. On the contrary it not only intensified the tension, but also shaped a different reasoning by both sides in dealing with each other's views. The debates between Wang Anshi and Han Qi stimulated wide-ranging critiques of the New Policies in the third and fourth months of 1070. Critics argued that public opinion should determine the right and wrong of the policy, and they believed that they represented public opinion. Guided by this rationale, the critics began to pay attention to those who shared their opposition to the policy, and intentionally unified themselves by claiming that this group represented the public opinion and thus was correct. They opposed the appointments that Wang Anshi made because they thought anyone affiliated with Wang should be opposed, his faction having been formed based only on private interests. Moreover, Wang Anshi also viewed his critics as members of an enemy faction and tended to purge them based on their affiliation.

The focus of the debate therefore shifted from policy issues to factional alliances. Factional affiliation became the main concern of both the opponents and supporters of the Green Sprouts Policy. Both sides' perceptions of their factional

affiliations shaped the way in which they responded to opposing views on policy. The result of such a change was a wholesale purge of critics that was motivated not only by the drafters of the New Policies, but also the critics themselves. People like Sima Guang, Su Shi, and Cheng Hao, who had held onto their offices despite their critiques, were eventually expelled from decision-making circles due to their influence on factional formation. As for the critics, their identity as the member of the same group - rather than views on policy - became the key reason for their requests to resign from office.

As we have argued, the target audience of Wang Anshi's document was the local bureaucracy. Wang Anshi wanted to clarify how to carry out the Green Sprouts Policy correctly. The readers of this document in elite political circles did not perceive Wang Anshi's intention in this way, however, interpreting it as an attack on Han Qi who in their eyes was respectful and influential. For them, Wang Anshi's response to Han Qi was inappropriate.

After reading this document, Han Qi immediately submitted a memorial to respond to Wang Anshi. In the same third month of 1070, almost all Remonstrance and Censorate officials including Li Chang, Sun Jue, Cheng Hao, Zhang Jian, Chen Xiang and Lü Gongzhu submitted memorials supporting Han Qi and criticizing Wang Anshi's arguments against him. Vice Grand Councilor Zhao Bian not only criticized Wang Anshi but also asked to resign. Fan Zhen, who had the power to reject the edict and petition the Emperor to reconsider the edict he originally issued, refused to allow

the Finance Planning Commission to argue against Han Qi's memorial[318]. Su Shi, who was in charge of the Jinshi examination in the same month, sent a memorial criticizing the treatise question that Shenzong had asked in the palace examination[319]. The Commissioner of the Bureau of Military Affairs, Wen Yanbo, sent a memorial supporting Han Qi. Sima Guang insisted on declining his appointment by the Emperor as Vice Commissioner of the Bureau of Military Affairs. He also wrote three personal letters to Wang Anshi debating his policy. These letters were intentionally spread by Sima Guang and other opponents, having great public influence.[320]

This new wave of criticism emphasized two issues. The first, emphasized by people like Li Chang and Sun Jue, followed Han Qi's second memorial in challenging Wang Anshi's understanding of the Classics on whether the state could collect interest through credit institutions. Although they provided very detailed evidence and sophisticated arguments on this issue, Wang Anshi and Emperor Shenzong did not take the matter seriously. As Wang Anshi told Shenzong, such debates over the meaning of expressions in the Classics made no sense and were not worth of debate.[321]

The second issue, the one that drew great attention from all debaters and had a real impact on them, was the critics' discussion of "public opinion 公議." A close analysis of all those critiques illustrates great similarity in the authors' lines of reasoning, in a

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[318] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7 ,319

[319] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7 ,342

[320] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7 ,320

[321] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,,334

manner different from the previous debates. We have discussed in chapter two, the different political perspectives that guided Cheng Hao, Chen Xiang, Zhang Jian and Su Shi to take public opinion as the standard for evaluating the Green Sprouts Policy. Despite their different worldviews, however, these figures all emphasized that the ruler should follow public opinion. Not only they, but other critics such as Li Chang, Sun Jue, Lü Gongzhu, Sima Guang, and Zhao Bian also emphasized in their critiques that they and Han Qi represented the true opinion of the public. In order to illustrate that the public had opposed Wang Anshi, the critics noted the collective action of other critics in showing their dissatisfaction. They took as their companions others who had shown the same attitude toward Wang Anshi. Such a view guided them to shift their attention from the content of the policy itself, to other people who had the same attitude toward the policy. They therefore developed a group identity, as illustrated in Sun Jue's critique in the third month of 1070.

In his memorial, Sun Jue first admitted that Wang Anshi's goal in proposing the Green Sprouts Policy was correct: the government should repress the engrossing families and support the poor. However, to achieve such a goal the government should follow the correct steps, with each step supported by the public. He further argued that even though he agreed with the goal of the Green Sprouts Policy, he would still oppose its implementation because he had observed that public opinion strongly opposed this policy.

In order to illustrate his estimation of the public opinion, Sun Jue listed several people who had shown their opposition to the policy, including Han Qi. Sun Jue also

listed events such as Fan Zhen's rejection of the document criticizing Han Qi, the critiques made by Censorate and Remonstrance officials, and Sima Guang's refusal to accept promotion as examples of how the policy had stimulated resistance in public opinion. Sun Jue further suggested that no matter whether the goal of the policy was correct, the Emperor should still seriously consider the public opposition and follow the people's common judgment to cease the policy.

In Sun Jue's interpretation, moreover, Wang Anshi's actions in arguing against Han Qi served an evil purpose of summoning faction members who had the same opinions as him. In Sun Jue's interpretation, Wang Anshi's clarification of the policy's intention represented his organization of a faction to contradict the public opinion that a group of critics had been upholding.[322]

Similar views can also be found in memorials sent by Li Chang, Cheng Hao, Zhang Jian, Lü Gongzhu, Zhao Bian and Su Shi.[323] All these critics listed several cases to show public opposition to Wang Anshi, highlighting similar events and individuals. Moreover, not only did these people identify themselves as members of a group, others also identified them as companions. They shared the same interpretation of Wang Anshi's attack on Han Qi as being disrespectful to an influential official and on the public opinion that Han Qi represented. However, they held that Wang's

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[322] Songchao zhuchen zouyi 宋朝諸臣奏議,1225-26

[323] Li Chang, "Shang Shenzong lun qingmiao 上神宗論青苗"Zhang Jian, "shang shenzong lun xinfa 上神宗論新法," Cheng Hao, " Shang shenzong lun xinfa 上神宗論新法,"Lü Gongzhu, " shang shenzong lun buyi qingshi renxin 上神宗論不宜輕失人心," Lü Gongzhu, " Shang shenzong lun xinfa qi wairen 上神宗論新法乞外任," Zhao Bian, "Shang shenzong qi ba tiaolisi ji tijuguan 上神宗乞罷條例司及提舉官," Su Shi, " Shang shenzong jiaoni yushice 上神宗繳進擬御試策." For all these documents, see Songchao zhuchen zouyi 宋朝諸臣奏議,1227-38

skillful rhetoric could not change public opinion. As Su Shi had stated, pubic opinion made the correct judgment on whether or not the policy followed the dao. Wang Anshi's refutation of Han Qi therefore only exposed his flawed mental state and his deviation from moral principle.[324]

These critics commonly took some behaviors as signifying membership in their group. Such behaviors included an irreconcilable attitude toward Wang Anshi's policy and the determination to resign from their official positions. They not only praised other people for taking such actions, but also performed them personally. For example, Zhao Bian praised Lü Gongzhu, Fan Zhen, Sun Jue, Zhang Jian, Cheng Hao, and Sima Guang in a memorial because he thought that their petition to resign from their offices illustrated a stand on the same line with public opinion. At the end of the memorial, Zhao Bian also requested that the Emperor demote him from the position of Vice Grand Councilor.[325]

Analysis of the critics' common rationale shows that they started from the premise that public opinion was the only standard for judging the correctness of the policy. Their next step was not to resolve the question of how to build institutions to form public opinion, such as a deliberative mechanism for forging agreement on how to revise the policy, or a voting system to legitimate the opinion of the majority. Instead, they assumed that public opinion would naturally emerge in response to flawed policies, because they believed that people had the innate capability to form

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[324] Su Shi, " Shang shenzong jiaoni yushice 上神宗繳進擬御試策." Songchao zhuchen zouyi 宋朝諸臣奏議,1236

[325] XCB v210 ,5103

such a common opinion. Therefore the next step in their logic was to show that their own ideas about the policy represented this correct public opinion. In order to illustrate this point, they presented lists of names to show that they were members of a group that had found common ground in its response to the Green Sprouts Policy. Such common ground did not mean to them that they had found agreement on how to synthesize different opinions to agree on revisions to the policy; it meant that they all shared an absolute rejection of the Green Sprouts Policy. The formation of these people's identity as an opinion group was therefore driven by their common worldview. They sought other companions and adopted collective actions to show the correctness of their opinion. Their sense of belonging to the same faction had been stimulated by Wang Anshi's public attack on Han Qi, even though Wang Anshi's main purpose had not really been to attack them.

Both Emperor Shenzong and Wang Anshi had noticed the collective action of the critics, but they had different understandings of these actions. In a conversation with Wang Anshi in the third month of 1070, Emperor Shenzong expressed his worries about the surprisingly large scale of opposition among the Censorate and Remonstrance officials. He thought that such opposition should be seriously considered, because to some degree it represented people's common views on the policy.

Wang Anshi, however, rejected on its face any notion that the widespread, opposition to his policy represented a correct choice. As an example, he cited a

political debate that had occurred in the time of Shenzong's father, Yingzong. Emperor Yingzong was the stepchild of Emperor Renzong. After his accession to Renzong's throne, Yingzong had wanted to officially refer to his biological father, King Pu, as "father." This demand raised a great debate among the political elite. The Censorate and Remonstrance officials collectively opposed the Emperor's intention because they thought that Yingzong should only call Renzong father. Eventually Yingzong ignored the suggestion of these officials. Emperor Shenzong personally agreed with Yingzong's choice, as did Wang Anshi. In his conversation with Shenzong, Wang Anshi used this event as an example to show that even as the Censorate and Remonstrance officials claimed that they represented public opinion, their arguments demonstrated a lack of basic respect for human nature and moral principle.[326]

Wang Anshi's words gained Shenzong's agreement. However, Shenzong still expressed puzzlement as to why the only the Green Sprouts Policy received such strong opposition, implying that perhaps the policy itself had some problems. Wang Anshi however emphasized that the Censorate opposed all of the New Policies and had tried every effort to damage the reforms, reflecting their bias and self-interest. They had not openly done so before because the Emperor had show his determination to push ahead with the reforms, but this time they found that the Emperor had some hesitation, so they colluded with local officials such as Han Qi to produce fake

[326] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,337-38

evidence and blame it on the Green Sprouts Policy[327]. The collective action of the critics, in Wang Anshi's interpretation, revealed not their common commitment to recognize problems, but only their collusion and conspiracy.

Wang Anshi also clarified his public refutation of Han Qi. He told Shenzong that he had debated with Cheng Hao in person about whether he should embarrass a great official like Han Qi or accommodate his critique. Wang Anshi explained that he made his criticism public because he did not want Han Qi to mislead the local bureaucrats or the common people. In facing the various critiques of the policy, the most important way to eliminate flawed arguments was to clearly tell people what the policy's true intention was. He had no personal intention of offending Han Qi, only to lead the people to the correct way of thinking. [328]

Shenzong went on to suggest that leaders should not betray "people's mind 人心." Wang Anshi replied that the public will was in accordance with principle, and the people would be happy with actions that followed principle. Wang Anshi implied the challenge of deciding whether some people's opinions represented "public" opinion, given that it was impossible to gather all of the opinions in the world. He took the Duke of Zhou and Wang Mang as examples. All the surrounding lords opposed Zhou's policy but those lords still could not represent the "public," and his policy was still taken to have been welcomed by the public because his policy represented principle. In contrast, Wang Mang usurped the throne although he had great popular support. According to Wang Anshi, one could not say that Wang Mang had gained the

[327] XCB v210 P5111

[328] XCB v210 P5111

support of public opinion, because his actions marked a serious betrayal of moral principle.[329]

In this conversation with the Emperor, Wang Anshi not only denied the critics' entire line of reasoning, he also represented their collective action as the result of intentional collusion. Compared with his previous refutation of his critics, which mainly focused on how to build an institutional context to discipline people's minds and resolve the policy problems created by local bureaucrats, Wang Anshi had begun to take the collusion of these critics as the major challenge to be faced. For Wang Anshi, the collusion of the critics turned them into factions, and every member of these factions should be purged because they were petty men. The exclusion of these groups would make other local bureaucrats adhere to the will of the New Policies.

Wang Anshi and his critics were in agreement that the critics had formed factions, but Wang Anshi's perception of who belonged to which faction was not always in accordance with the perspective of his critics. In Wang Anshi's mind, there existed several factions led by key figures. Although he knew that all these groups were united in their opposition to the Green Sprouts Policy, he did not take them to be one organized group. Moreover, Wang Anshi even believed that some individuals were members of more than one factional group. For example, he took Su Shi as having factional alliances with both Ouyang Xiu and Sima Guang.

We will focus on three cases to examine Wang Anshi's views on factions and the discrepancy between different people's perceptions of them. In one case, Wang Anshi

[329] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,338-39

identified Lü Gongzhu and his subordinate officials in the Censorate and Remonstrance offices as a faction. This faction he believed to have a close alliance with Han Qi. The members of this faction such as Cheng Hao, Chen Xiang and Zhang Jian all took Lü Gongzhu as their patron because of their private interests. In this case, Wang's perception was in accordance with these men's own factional identity.

On the other hand, Wang Anshi viewed Su Shi and Ouyang Xiu as belonging to one faction not only because of their good personal relationship, but also because of their similar academic background. In Wang Anshi's view, their learning had shaped their personalities in ways that were wrong in similar ways. Su Shi did not identify himself as a member of this faction, however, although he believed that he was a member of the group that represented public opinion.

In the case of Sima Guang, Wang Anshi took him to be the leader of a group of people who opposed the New Policies, but he had no clear sense of who belonged to this faction. He assumed that there existed a large group of people who opposed the policy, and even though no one formally organized this group, Sima Guang was still espoused by its members as their leader because all of his activities opposing the New Policies were known to the public. Sima Guang did not, however, take himself to be the leader of this large group. Rather, he saw himself as a member of a group of people who had collectively opposed the Green Sprouts Policy.

Based on such an evaluation, Wang Anshi's reaction to his critics after the fourth month of 1070 appears to have served the purpose of removing these factions by

expelling those he saw as their heads and their subordinates. The first instance was his reaction to Lü Gongzhu, with whom he had previously, had a good personal relationship. Because of their amity, Wang Anshi had recommended that Lü Gongzhu replace Lü Hui as the head of the Censorate in 1069. Before 1070, Lü Gongzhu had also supported Wang Anshi and appointed former bureaucrats from the Finance Planning Commission as Censorate officials, such as Cheng Hao. Although Lü Gongzhu showed his disagreement with the Green Sprouts Policy, displeasing Wang Anshi, Wang had no intention to expel him from the Censorate until Lü claimed allegiance with Han Qi.[330]

In the fourth month of 1070, Lü Gongzhu told Shenzong in person that Wang Anshi's public attack on Han Qi could cause Han Qi to rebel, since he controlled a great military force in Hebei. Shenzong felt very uncomfortable with this opinion because such a perception would inflame the tensions between Han Qi and the court. He therefore decided to demote Lü Gongzhu. After reading the notes of that conversation, Wang Anshi decided to seize this chance to publicly fight back against Lü Gongzhu and Han Qi. He drafted an edict claiming that the court was demoting Lü Gongzhu for spreading the rumor that Han Qi would rebel due to the court's attack on him.[331]

The Grand Councilor Zeng Gongliang and other high officials did not agree with

[330] Shao Bowen, Shanshi wenjianlu v12 ,125 (Beijing: zhonghua shuju 1984)

[331] XCB v210 ,5095

the publication of Lü Gongzhu's error, because such an action would upset Han Qi.[332] The official charged with drafting the edict, Song Minqiu, also strongly opposed Wang Anshi's idea.[333] Wang Anshi insisted, however, because this activity would clearly demonstrate to the public the attitude of the court toward any alliance between Han Qi and other officials. Emperor Shenzong supported Wang Anshi. Song Minqiu was removed from his position and the Emperor chastised Zeng Gongliang. The court then promulgated an edict publicly connecting the faults of Lü Gongzhu with Han Qi. Lü Gongzhu, for his part, refused to admit any alliance between Han Qi and himself.

Wang Anshi's reaction to Lü Gongzhu was guided by his belief that the exposure of factional alliances before the public would be an effective way to mobilize the participants in his policy. The audience of the edict included literati with official posts in the government. The discussion of factional alliances was no longer secret political discourse within small circles of the political elite; it became a tool that the court employed to blame officials before the public. Wang Anshi's intention was to show the public the unified and determined attitude of the Emperor and the court toward critics of the Green Sprouts Policy. This was part of his scheme to shape an institutional context for disciplining people's minds. Guided by such a rationale, the public punishment for Lü Gongzhu's alliance with Han Qi served the purpose of mobilizing bureaucrats. As we will discuss later, both the New Policy makers and their critics were deeply concerned with the potential influence of their actions on the public. Even though they did not have a concrete design for incorporating this

[332] XCB v210 ,5096

[333] XCB v210 ,5104

audience into the policy making process, they still paid great attention to the public's psychological reaction to their actions and considered such reactions as factors in shaping their policies.

In the month after demoting Lü Gongzhu, Wang Anshi appointed officials to fill the vacant positions created by the personnel change. He appointed Feng Jing as the head of Censorate and Li Ding and Xie Jingwen as General Purpose Censors. He also appointed Han Jiang as the Vice-Commissioner of the Bureau of Military Affairs. These personnel appointments stimulated a new wave of opposition by his critics, motivating them to draw a strict factional boundary and to show their irreconcilable attitude toward any decision made by the opposing faction. The critics' criteria for defining their faction included not agreement about the Green Sprouts Policy, but also personal integrity as manifested by their activities in chastening Wang Anshi. These critics labeled the officials that Wang Anshi promoted as sharing Wang's personality and belonging to his faction, even if their opinions might not be completely in accord with those of Wang Anshi.

In the same month, the main Censorate officials, Chen Xiang, Cheng Hao, Zhang Jian and Chen Xiang, attacked Wang Anshi's personnel appointments and requested their own demotion. These people expressed the differences between themselves and the people that Wang Anshi had appointed in some similar ways.

In Chen Xiang's memorial, he questioned the court's appointment of Han Jiang as the Vice Commissioner of the Bureau of Military Affairs. While Chen agreed that Han Jiang's talent and reputation were formidable, he thought that Han Jiang had been

in charge of the Finance Planning Commission with Wang Anshi and supported Wang Anshi's Green Sprouts Policy. Chen Xiang therefore labeled him as a bureaucrat devoted to the pursuit of his material interests. Chen Xiang further contrasted him with another worthy who had been devoted to moral cultivation and learning of the Classics; he was referring to Sima Guang, who had originally been appointed as Vice-Commissioner but declined this appointment.[334] In Chen Xiang's view, those who had criticized the Green Sprouts Policy and had been demoted by the drafters of the New Policies, such as Sima Guang, Lü Gongzhu, Li Chang, Sun Jue, Cheng Hao and Zhang Jian, belonged to the same category. He did not deny blame for belonging to the same faction. Instead, he stated that as member of this faction, he should resign, because only by doing so could he show the same morality and policy demands as other members of that group.[335] A similar discourse also appeared in the memorials of Cheng Hao, Zhang Jian and Wang Zishao. Zhang Jian showed the most radical attitude towards Wang Anshi. In his memorial, he claimed that Han Jiang and Li Ding were both members of Wang Anshi's "diehard faction 死黨." Zhang Jian expressed his deep worry that Wang Anshi's appointments would place his faction in control of all the important positions in the court. Zhang Jian even went in person to Wang Anshi's office to quarrel with him and show his determination to leave office.[336]

All these cases showed that these people were not passive in the face of possible demotion; indeed, , they sought demotion as a way to show their identity as members

[334] XCB v210 ,5102

[335] XCB v210 ,5110

[336] XCB v210 ,5107

of a group that they labeled as upright, representing correct public opinion. Only those who had the most irreconcilable attitudes toward Wang Anshi's faction would receive such an honorable punishment.

This reaction by his critics further motivated Wang Anshi to view them as being in collusion. His shifted his attention to destroying opposing factions and purging them from the court. Factional alliances became the main standard for judging critics. People who had been judged as belonging to the faction would be demoted regardless of the value of their advice or personalities. Cheng Hao's case illustrates how factional alliances became Wang Anshi's main standard for judgment..

According to Cheng Hao's later records, he had had good relations with Wang Anshi before the Han Qi incident. Cheng Hao once criticized the Green Sprouts Policy in a personal conversation with Wang Anshi, urging him to follow public opinion. Wang Anshi thanked Cheng Hao and praised his critique as coming from his "sincere intention 誠意."[337] Wang Anshi still thought that Cheng Hao shared a common goal of improving the state's governance.

Wang Anshi changed his judgment after the Han Qi incident, during which Cheng Hao showed his alliance with Lü Gongzhu. As with Lü Gongzhu, he had viewed Wang Anshi's refutation of Han Qi as an inappropriate insult. He visited Wang Anshi's office to express his criticism. Cheng Hao's action provoked Wang Anshi's

[337] Er Cheng Ji shang 二程集上, 28

dissatisfaction, which he expressed to Emperor Shenzong.[338] Cheng Hao further showed his support for Lü Gongzhu and criticized Wang Anshi's personnel appointments in the fourth month of 1070, strengthening Wang's judgment that Cheng Hao belonged to the same faction as Lü Gongzhu. After making this judgment, Wang Anshi's attitude toward Cheng Hao changed greatly.

In a conversation with Shenzong in the fourth month of 1070, Wang Anshi harshly criticized Lü Gongzhu as a person with bad intentions. He further judged that Cheng Hao, Chen Xiang, and Zhang Jian all belonged to the same faction as Lü Gongzhu and facilitated his negative influence over policy. In this conversation Wang Anshi suggested that the Emperor seriously punish this faction so that others would dare not to cheat the Emperor, and would follow the court's policies.[339] Wang represented Cheng Hao's factional alliance as the most important reason for punishing him. The punishment should be meted out to the entire faction. Factional alliances had replaced the personalities of individual critics as the main factor in deciding punishment. Wang Anshi believed that the factional alliance among the Censorate officials had caused great confusion to the bureaucrats, because their collective opposition to the refutation of Han Qi would make the bureaucrats hesitant about the true intentions of the court. Therefore, even though Cheng Hao had good morality, he should still be demoted along with his factional members. Only by doing this could

[338] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v5,338

[339] XCB v210, 5110

the court clarify its intentions for the entire bureaucratic group.[340] Guided by such a rationale, Wang Anshi and Emperor Shenzong expelled all of these critics from the decision making circle.

Another case shows how Wang Anshi and Emperor Shenzong identified the faction of Su Shi and Ouyang Xiu based on academic background, and how such perception motivated them to change the educational and examination systems to eliminate the ideological base of their faction. As we have discussed in the second chapter, Su Shi's intellectual framework was very different from Wang Anshi's, which led to his disagreement with Wang Anshi's Green Sprouts Policy.

In the fifth month of 1069, Emperor Shenzong had shown great interest in Su Shi's learning after a conversation with Su Shi. Su Shi submitted a memorial discussing his thoughts on the civil examination system. As we have discussed, in this memorial he did not suggest that the Emperor initiate reforms, because the goal of ruling was to make all policies comfort the people. The best way to achieve this goal was to find what people needed and use policies to satisfy their needs. Su Shi did not believe that people's self-interests could be rectified by imposing moral standards upon their lives. The unification of the Classics would not eliminate people's self-interest, but only would seduce them to cheat. Shenzong liked this argument and introduced it to Wang Anshi.

In Wang's view, however, Su Shi's thought on the role of the Emperor was

[340] XCB v210,5110

fundamentally wrong. Wang replied that the Emperor should not just depend on the need of his subjects to decide the policies. The ruler could indeed discipline people's self-interests.[341] The ruler needed to follow the dao to regulate people's self-interests instead of chasing after them. Wang Anshi took Su Shi as a representative of "evil learning 邪說." In Wang Anshi's view, Su Shi's theory of learning only taught people how to develop superficial rhetorical and writing skills, while ignoring how to guide people to follow the dao. People who followed Su Shi's learning did not have a consistent standpoint on right and wrong because they paid attention to superficial but beautiful writing and rhetoric. Wang Anshi told Shenzong that Su Shi used his writings to cater to those in power. He did stick to any consistent view but only followed others in deciding the main idea of his articles. He gave the impression that he was a clean person even while secretly accepting bribes, his learning having shaped his personal values.[342] Wang Anshi therefore hated Su Shi and rejected the Emperor's idea of appointing him.

In Wang Anshi's view, Su Shi and Ouyang Xiu had similar ideas. Because of their mutual admiration for the same learning, the two had good personal relations. In the fifth month of 1070, Emperor Shenzong considered appointing Ouyang Xiu as Grand Councilor. Wang Anshi was opposed because he thought Ouyang Xiu had been influenced greatly by people like Su Shi and he feared that if he were appointed, people of similar "superficial" learning would gather around him to form a larger

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[341] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v6,188

[342] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v6 ,256

faction. Literati still lacking a clear sense of the right way to learn would be misled into thinking that Ouyang Xiu represented the correct direction.

Emperor Shenzong agreed with Wang Anshi's comments, accepting that Su Shi's learning was evil because of the flaws in his personality. As revealed in the Emperor's conversation with Sima Guang, the former had noticed that Su Shi's private life did indeed show him to be the kind of person that Wang Anshi had described, using his writing to harm others while pretending to be an upright person.[343] Emperor Shenzong was deeply concerned with eliminating such influences on the minds of the literati. He thought that the influence of Su Shi and Ouyang Xiu led contemporary literati to focus on their writing skills to the detriment of grasping the meaning of the Classics. He was worried that such a faction would enlarge under the increasing influence of Su Shi.[344]

In order to eliminate the influence of Su Shi's faction, Emperor Shenzong accepted Wang Anshi's suggestion to publicize Su Shi's unfilial conduct throughout the six circuits. Su Shi resigned from his official position in shame. He was demoted to a low-ranking local office.[345] In the tenth month of 1070, Ouyang Xiu was publicly criticized by the court for submitting a memorial suggesting revisions to the Green Sprouts Policy. In his memorial he had suggested that the court change the frequency of the loans from twice a year to once a year, so that local governments could have

[343] XCB v214,5201

[344] XCB v211 ,5134

[345] XCB v214 ,5200

more flexibility in adjusting the loans depending on the local situation.[346] Emperor Shenzong decided to publicly chastise him in order to repress the influence of his faction over the literati.[347] Shenzong's response shows that he took factional alliances as determinative factors for deciding the reward and punishment of the critics. The merit of the advice given by those critics did not ameliorate the Emperor's attitude toward them.

Emperor Shenzong and Wang Anshi had thought of reforming the civil examination system in 1069. Their perception of the great influence of Su Shi and Ouyang Xiu's faction however made them to think it was urgent and necessary to reform the examination system in the second month of 1071. The new examination focused on testing the candidate's learning of the meaning of the Classics, rather than their writing skills. In Shenzong's mind, the literati opposed Green Sprouts Policy because they did not understand the entire worldview that guided the making of this policy - they did not know the dao of the Former Kings, therefore they criticized the policy. Emperor Shenzong further legitimized Wang Anshi's commentary on the Classics as the only correct textbook for the civil examinations. Wang Anshi and Emperor Shenzong called this "unifying dao and de and making customs the same." In their mind, this was an important way to build acceptance of the New Policies.[348]

Unlike the first case we cited in which people like Cheng Hao, Zhang Jian and Lü Gongzhu identified themselves as members of the same group, Su Shi did not see

[346] XCB v211, 5131

[347] XCB v211, 5131

[348] XCB v220,5333-35

himself as being in an alliance with Ouyang Xiu, even though he repeatedly praised him in essays. In Su Shi's mind, Wang Anshi had attacked him because of his critique of Wang, and Su Shi believed Emperor Shenzong still liked him.[349] Su Shi had no intention to resign from his position in solidarity with a faction; he did so only to secure himself from Wang Anshi's attack. His "faction" was constructed based on other people's interpretation of his views and behavior. Such an interpretation was shaped by the paradigm with which they viewed the world. The ways in which others dealt with the faction was also guided by their worldview on how to shape the ideal political order.

The attitudes of Emperor Shenzong and Wang Anshi towards Sima Guang remained divergent until the second month of 1071. Sima Guang had repeatedly criticized the Green Sprouts Policy since its initiation, but his critiques did not influence the Emperor's trust in him. In the second month of 1070 Shenzong appointed Sima Guang as the Vice-Commissioner of the Bureau of Military Affairs. Although this appointment was suspended due to the restoration of Wang Anshi, Shenzong still trusted Sima Guang and considered appointing him to the same position in the seventh month of 1070.[350] In one conversation during that month Shenzong said that although Sima Guang opposed the Green Sprouts Policy, he would not make such a political attitude influence his sincere devotion to his career and he

[349] Su Dongpo quanji 蘇東坡全集 v16,403(Huangshan shushe, 1997), 403

[350] XCB v213, 5167

could be trusted to resolve the great difficulties facing the court.[351] Emperor Shenzong hoped that Sima Guang's disagreements on the Green Sprouts Policy would not influence his contribution to other affairs of the court, as he still hoped to make full use of Sima's talents and to solicit his advice on government affairs. By the eighth month of 1070, however, the Emperor had changed his mind. He did not insist on keeping Sima Guang at court, accepting his petition to step down to service in local government. Sima Guang's attitude toward the Green Sprouts Policy had become the determinative factor in the Emperor's consideration of his career.

Wang Anshi's attitude toward Sima Guang was more complicated than that of Shenzong. Wang had never questioned the probity of his personality.[352] His main concerns about Sima Guang were his fundamentally different understanding of the dao of political order, and Sima's broad and close ties with political elites at the court and his great influence over them.[353] In Wang Anshi's conversations with Shenzong in the second, third, fifth and ninth months of 1070 he repeatedly expressed his worries about Sima Guang's leadership in the opposing faction.[354] He feared that Sima Guang's irreconcilable opposition to the New Policies and his great influence would make the court lose the authority to justify its policies, and would cause it to

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[351] XCB v213, 5167

[352] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7,317

[353] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7,320

[354] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7, 306,317, XCB v211, 5135, XCB v213, 5167, XCB v215,5231

lose the support of the literati.[355] Wang Anshi therefore disagreed with any appointment of Sima Guang suggested by the Emperor.

Sima Guang's attitudes towards appointment by Shenzong also evolved. Before the eighth month of 1070, Sima Guang did not resign from his current positions as Hanlin Academy Reader-in-waiting, Grand Master of Remonstrance, and Drafter of Proclamations, although he claimed that he would decline any promotion if the court did not abolish the Green Sprouts Policy. He continued communicating with the Emperor in person, trying to convince him to change his policies. After that, however, Sima Guang gave up his position at the court, removing himself to local government. He did not make any new policy suggestions until 1074. His attitude toward Wang Anshi also experienced a great change when he decided to resign from his position at court. Previously he had taken Wang Anshi to be an upright person, though he did criticize him for indulging in his own ideas without maintaining openness to critiques.[356] In the second month of 1071, however, he sent the Emperor a memorial in which he revealed a marked change of attitude, stating that Wang Anshi's intention to forge policy and build a faction was evil because it derived from his private interests and lust for power.[357]

How to explain all these changes? Why did Emperor Shenzong eventually accept Wang Anshi's suggestion to demote Sima Guang? Why did Sima Guang change his mind and leave the court? Why did he change his judgment of Wang Anshi? It appears

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[355] XCB v215,5231

[356] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7,323

[357] XCB v220 ,5338

that the change came as a result of Sima Guang and Emperor Shenzong shifting their attention from policies to factional alliances.

Before the fourth month of 1070, Wang Anshi had repeatedly emphasized that Sima Guang should be demoted because of his leadership among the literati who opposed the Green Sprouts Policy. Emperor Shenzong however did not take that issue seriously in comparison to the merit of Sima Guang's critiques. He had a similar attitude towards other critics such as Han Qi, Su Shi and Cheng Hao.

Shenzong's attitude changed after Han Qi incident, as we have discussed. After Wang Anshi officially refuted Han Qi, the critics of the New Policies began to form a group identity and they chose collective action to show their irreconcilable attitudes towards the policy. Sima Guang's refusal of his appointment as Vice-Commissioner of the Bureau of Military Affairs was taken by other critics as a model.. Sima Guang therefore became a representative of public opinion. His political influence was not constrained within policy-making circles, but began to extend to the entire literati class. For example, Sima Guang's private letters to Wang Anshi and his other memorials were circulated among the literati.[358] People with axes to grind even produced fake writings under the name of Sima Guang to spread political rumors.

This circulation of documents had deeply worried Wang Anshi and Emperor Shenzong. Wang discussed his great anger in a conversation with Shenzong about Sima Guang's circulation of correspondence he had written to Wang. He held that this action further intensified people's confusion about the Green Sprouts Policy, leading

[358] XCB v211 ,5135,

them to oppose it.[359] Emperor Shenzong also began to pay attention to this problem. In a conversation with Sima Guang in the fourth month of 1070, Shenzong asked Sima Guang if he had authored some writings that criticized the Emperor, a rumor that Sima Guang denied.[360] All these problems made the Emperor accept Wang Anshi's view that Sima Guang was the ringleader of these dissidents. His learning and his critiques of the New Policies were influencing others.

In the seventh month of 1070 he accepted Wang Anshi's view that the fundamental way to discipline the mental state of local bureaucrats and other policy participants, inducing them to follow the intentions of the emperor, was to eliminate dissent, abandoning the practice of previous Song Emperors who allowed different opinions to coexist and compete. Although Wang Anshi had repeatedly outlined his scheme to unify morality, Shenzong did not show very clear interest until that time. In this month, however, Shenzong came to stand with Wang Anshi and officially gave up his original view on accommodating different opinions.[361] He therefore no longer insisted on keeping Sima Guang in the court, because he realized that such accommodation to Sima Guang would not only cause greater confusion among the literati, bureaucrats and political elites, but also strengthen the solidarity of the faction that took Sima Guang as its leader. For all these reasons, Emperor Shenzong decided to demote Sima Guang.

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[359] XCB v211 ,5136

[360] XCB v210 ,5113

[361] XCB v213, 5167

In the second month of 1071, Sima Guang submitted his last memorial criticizing Wang Anshi, refusing thereafter to make any comments on the new policies. In this memorial he not only showed his determination to leave policy-making circles, but also explain why he was giving up any chance to express his opinion on the policies.[362]

At the beginning of the memorial, Sima Guang listed Lü Hui, Fan Chunren, Cheng Hao, Su Shi, Kong Wenzhong and Fan Zhen as his models. He stated that he had lacked the foresight of Lü Hui because before Wang Anshi began the reforms, Lü had already predicted that they would greatly damage society and government. Sima Guang realized that he did not have the upright and unbiased mind of Fan Chunren or Cheng Hao, who despite having been promoted by Wang Anshi still criticized his policy. Sima Guang further admitted that he did not have the bravery to express his critique as had Su Shi and Kong Wenzhong, who wrote articles to criticize the new policies. He realized that he did not have the same determination to break with Wang Anshi as did Fan Zhen, who had written a very harsh critique of Wang Anshi and had been seriously punished.

By listing all these representative figures from the opposition to the Green Sprouts Policy, Sima Guang placed them into a group as representatives of correct opinion. Sima Guang further described Wang Anshi's actions in conspiratorial terms, portraying him as establishing a faction and occupying the most important government positions. He expelled those who had different opinions and made every

[362] XCB v220, 5339-40

effort to cater to the Emperor. He used the name of the Emperor to satisfy his own interests.

In this memorial, Sima Guang did not make any reference to matters of policy per se, viewing the policy-making process entirely as a competition between two factions. The group he belonged was comprised of people with good virtue, and because of their virtue they made a special contribution to the enterprise of opposing the Green Sprouts Policy. Wang Anshi's faction, in contrast, was described as comprised of men with evil intentions and bad morality. At the end of the memorial Sima Guang claimed that he would learn from his colleagues, and requested that the Emperor punish him and allow him to resign from all his posts.

Sima Guang's memorial illustrates that his decision to resign reflected his commitment to the same path of action as the other members of his group. This view was different from the line of reasoning that had appeared in his previous memorials, in which he explained that his reason for refusing promotion was his difference of viewpoint on the Green Sprouts Policy.[363] Sima Guang's case therefore highlights the end of deliberation on policy and the turn to factional politics that caused the purge of critics from the court by the second month of 1071.

In this chapter I have shown how the desire to regulate policy deviation led to a despotic manner of conflict resolution at the court. However, this despotism only represents one of the mechanisms that emerged during the New Policies period for dealing with feedback during the policy implementation process. The court's policy

[363] Xu Zizhi tongjian changbian shibu 續資治通鑒長編拾補 v7,308

makers had to directly face significant problems that were reported by local bureaucrats. Even though the court would not question the morality and factional alliances behind those reports, it still had to figure out ways to resolve those problems.

The leaders in policy formation had realized that they could not fully grasp the diverse situations to be found in different localities during the process of implementing the Green Sprouts Policy. Their response to many problems was therefore was to bestow autonomy to the local circuit bureaucrats, allowing them to adjust the policy depending on the situations they encountered.

For example, on the 25th day of the fourth month of 1070, the Finance Planning Commission allowed circuit bureaucrats to freely decide their own schedules for making loans and the amounts of each loan. The court only gave a yearly quota of loans to each locality.[364] This was around the time that both the drafters of the New Policies and their critics at court had already shifted their focus of debate from actual policy to factional alliances. This trend did not prevent the court from adopting flexible approaches to resolving the problems reported by the local bureaucrats, however, because these reports were not taken as representing the views of critics with factional entanglements and bad intentions.

The court on the one hand sought to unify the bureaucrats' understanding of the intention of the policy; on the other hand, when they had made sure that this intention had been clarified for the bureaucrats, they delegated power to the local level. The drafters of the New Policies lacked the capacity or intention to regulate the local

[364] SHY shihuo 5/6

problems caused by the changes in the market system.

In following chapters, we will continue to investigate how the drafters of the New Policies resolved the real problems that emerged during the state's intervention in the market, particularly problems caused by bureaucrats' inappropriate activities that led the policy to deviate from its original intentions. We will show how the interaction between the New Policies' rationale for regulating bureaucrats and the practical process of state intervention shaped the way in which the state deployed its power in the market.

PART THREE

State Intervention in the Salt and Tea Markets during the New Policies Period (1071-1085): Perspectives and Practice

One of the big problems with the principal-agent framework is that it takes for granted the existence of state capacity. That is, it formulates the problems of managing an organization primarily as one of incentives and will: the principal commands that the agents do certain things, and the agents fail to do so because they are opportunistic or self-interested. But agents can be completely loyal and motivated to do the right thing and yet fail because they simply do not have the knowledge, competence or technical ability to carry out the principal's wishes.

-----Francis Fukuyama[365]

In Part three, we shift our focus from the conflict resolution mechanisms among the political elites at the central court to interactive mechanisms between the central government, different levels of bureaucracy, and broader social forces in the process of state intervention during the New Policies period. We will discuss how the worldviews of the New Policy makers interacted with their historical context to shape the ways in which the state exercised its power in the salt and tea markets.

In preparing for its wars with the Tangut Xi Xia and the Khitan Liao, the drafters of the New Policies strengthened state intervention into the financial market for salt vouchers, as well as the tea and salt industries, from 1071 to 1085. Through such intervention, they hoped to coordinate market actors, perfect the market order, increase the state's revenue, and improve social productivity. In order to achieve these goals, they established mechanisms for organizing bureaucrats and market actors. Those mechanisms included rules ordering the government agencies to collectively

[365] Francis Fukuyama, Political Order and Political Decay: From Industrial Revolution to the Globalization of Democracy. (Farrar. Straus and Giroux, 2014),509

regulate prices by adjusting the supply and demand based on market changes; a deliberative mechanism that incorporated government and market actors to decide the price of goods; and the institution of state monopolies that organized the interests of producers, the government and other powerful market actors to provide protection for the majority of market actors in an effort to increase overall social productivity.

However, the ultimate result of state intervention was the collapse of those mechanisms. The bureaucracies manipulated prices to pursue profit; they competed for economic interests and greatly damaged the market order. The bureaucrats in state monopolies build coalitions with powerful merchants to manipulate prices and damage the interests of small producers. Part Three explains the causes of such failures. I argue that the limits of the New Policies makers' worldview in explaining policy deviations caused their failure in organizing political and market actors to achieve their policy purposes.

The quote by Fukuyama depicts a regulatory mechanism that resembles some features of the cases that I will discuss. As I will show, the political beliefs of the drafters of the New Policies guided them to continually reinforce the same procedures in regulating policy deviations, regardless of the variety of actual problems encountered. I have defined such strategies as "limited regulation," by which the regulators focused on disciplining people's mentality rather than responding to actual policy deviations. Such a way of regulation originated from the New Policy makers' systematic vision of how the world operated and the correct way of building an ideal political order. They believed that they could overcome any policy deviations by

directing the policy participants toward the correct way of thinking. In facing practical difficulties, they adhered to certain measures without considering the changes in the real situation. The actual behavior of market actors and bureaucrats contradicted their expectations, however, and their rigid responses seriously weakened the state's organizing capacities in the economic field.

CHAPTER FOUR

Changing Policy Paradigms in the Control of Pond Salt Voucher Prices during the New Policies Period (1072-1080)

In this chapter, I discuss the consequences of the policy process in which New Policies makers practiced different measures to stop the market depreciation of the Pond Salt Vouchers during the Xining and Yuanfeng periods (1068-1089). I first analyze the factors that influenced the market for these vouchers, arguing that the limits of New Policy makers' worldview prevented them from explaining the market changes, in part because they took the government as the only reliable actor to resolve depreciation. They established new government agencies in the hope that these agencies would find the proper way to regulate prices and increase revenue through adjusting the demand and supply of salt vouchers. They also designed the roles of other bureaucracies in the price-regulation process. Ultimately, however, these bureaucrats abandoned the goal of price regulation to pursue their economic interests at the expense of other market actors. Existing bureaucracies refused to cooperate with these new agencies, with all parties focused more on their own economic and bureaucratic interests than on cooperation. The central policy makers' political philosophy provided no guidance for how to coordinate these agencies. The leaders were therefore slow to face this disorderly competition. State intervention in the financial market caused increasing cleavage among governmental agencies, intentional inaction by regulative bureaus and the central court, and collusion between circuit bureaucrats and big merchants. For all these reasons, state regulation of the

price of Pond Salt Vouchers failed.

Factors Influencing the Price of Pond Salt Vouchers (1058-1074)

Scholars on political economy have found that the market operates independently of people's conception of how it operates, and why changes in price occur in the course of its operation. [366] A brief introduction to the market in which the salt voucher played a role reveals a number of complicated mechanisms that affected the price of these vouchers. As this chapter will demonstrate, the gap between the policy makers' understanding of such mechanisms and their real operation led to repeated changes in policy to control the vouchers' depreciation.

The function of the pond salt voucher

The pond salt voucher (jieyan chao) was but one category of salt voucher, others of which included the "voucher for powdered salt in Hebei and Jingdong circuits (hebei jingdong yanchao)", "the voucher for the powdered salt in Huainan and Liangzhe circuits (huaizhe yanchao)" and "the voucher for well salt in Sichuan (Sichuan jingyan yin)". The pond salt voucher was mainly used by merchants trading salt from the huge state-operated saltworks centered around two ponds located in Xie and Anyi counties in Xie prefecture, Yongxingjun circuit, Shanxi. This region was part of the Northwestern border area of the Song, where the local government faced great financial burdens in provisioning the local garrisons that safeguarded the frontier against the Tangut state.

The military conflicts between the Song and the Tangut state caused the Fiscal

[366] Peter Hall, "Conclusion" in Peter Hall ed., The Political Power of Economic Ideas: Keynesianism across Nations. (Princeton University Press 1989) ,365

Commission of Shanxi to face shortages of grain, fodder, and both iron and copper cash. In 1058, under the suggestion of the Xie Salt Commissioner Fan Xiang, the government allowed merchants in Shanxi and other regions to use their hard cash to buy pond salt vouchers. They could then hold these vouchers or use them to exchange for salt in the state managed enterprise. The merchants could sell the salt in designated regions with the permission of the government. The denomination of the pond salt vouchers was marked in units of salt (or "mats") as well as in copper or iron cash.

Merchants trusted the salt vouchers because the central government not only issued them but also guaranteed the holder's legal right to exchange them for salt or cash according to the denomination of the voucher. In order to attract merchants, the central government also promised to pay a bonus depending on the distance that the merchant traveled in transporting the cash or other trade goods to Shanxi. The merchants could also earn great profits by selling the salt in designated areas such as Jingxi, Shanxong and Hebei circuits.[367] Because only those who had government permission could sell salt, the participating merchants could easily cover the cost of their long-distance transportation. In order to stabilize the price of the salt vouchers, the central government established an agency in capital Kaifeng to repay holders with a standard price, 6000 copper cash for one voucher. Even if the merchants had bought their vouchers at a lower price, the government still guaranteed their right to sell the vouchers to the government at that standard price. Although this policy could make

[367] SS,4414

the central government lose money, its real goal was to prevent the voucher from serious devaluation.[368] Compared to other kinds of salt vouchers, the local bureaucracy in Shanxi had more autonomy to decide the amount of vouchers it would issue. The pond salt voucher was mainly issued by a circuit-level governmental agency, the Salt Intendancy (xieyan si) in the Shanxi region.

The salt vouchers therefore can be understood as bonds that the local government issued to support their expenses on behalf of the central government. The local government borrowed money from sectors of society and was repaid by the central government in either cash or salt resources. The salt resources are controlled by the central government. The central leaders regarded the salt voucher as "flying money" because by repaying local debt, the central government transferred money to the local government.[369] The successful operation of such a mechanism however required close cooperation between Shanxi's local government and the central government. If the local government issued too many vouchers for the central government to pay off, then the salt vouchers would face the danger of depreciation. In fact, this had been a major problem faced by the central government during the Xining and Yuanfeng periods.

The over-issuance of salt vouchers in Shanxi

As discussed above, the Northern Song's long-term preparations for war with the Tanguts and its military conflicts with the Tanguts in 1072-1073 and 1081-1082 put

[368] SS v181, 4419

[369] SSY shihuo 24/17

great fiscal pressure on both the central and local governments.[370] As the bureaucratic agency responsible for military provisions, the Fiscal Commission 轉運司 in Shanxi stockpiled grain and fodder, the amount of which became the main standard for official evaluation of its personnel.

As the head of Fiscal Commission, the Fiscal Commissioner 轉運使 was normally appointed as Fiscal Commissioner and Concurrent High Commissioner of Xie Salt 制置解鹽使.[371] Such concurrent posts bestowed the Fiscal Commissioner with the power to manage salt. They could therefore decide on the number of vouchers to be issued depending on the quantity of war material they needed to prepare. Moreover, the central government also established an incentive system to motivate the Fiscal Commission to buy grain and fodder, rewarding the Fiscal Commissioner and his subordinates if they purchased more than their quota and punishing them for buying less. This policy was meant to prevent the Fiscal Commission from focusing on profiting from the salt trade while ignoring its main duty of preparing war materiel for the central court.[372]

Such a standard encouraged the bureaucrats in the Fiscal Commission to finance their expenditures through expanding local debt. The local government therefore manipulated the pond salt vouchers to pursue the goal of buying more materiel. They

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[370] For the brief introduction to the military situation of the New Policies period, see Paul Smith, "Shen-Tsung Regin and the New Policies of Wang ANshi (1067-1085)",349. And Li Huarui 李華瑞, Songxia guanxishi 宋夏關係史, (Beijing: Zhongguo renmindaxue chubanshe, 2010) ,64, 135

[371] XCB v287,7031

[372] SHY shihuo 24/3

actively devalued the price of the vouchers to induce merchants to sell them more grain. The original policy imposed strict restrictions on the use of salt vouchers. In 1048, the central government adopted Fan Xiang's suggestion that that the Fiscal Commission in Shanxi only sell the vouchers to merchants who had the equivalent hard cash. After receiving the cash, the Fiscal Commission would use it to buy fodder and grain and transport it to the border areas. The central court at first forbad the local government to directly use salt vouchers to buy grain and fodder because it worried that the local government would freely devalue the vouchers.[373] This policy however was changed progressively by local bureaucrats.

The Fiscal Commission broke this restriction and directly used vouchers to buy grain and fodder. As noted in the History of the Song, "After some time, [the Shanxi Fiscal Commission] allowed merchants to provide fodder and grain in place of cash payment for salt vouchers. But the problem of overvaluation of goods grew and with it the salt vouchers' value fell." As the price of each salt voucher fell, the local bureaucrats needed to spend more salt vouchers to get the same amount of goods. This strategy induced merchants to contribute more materials so that the local government could achieve the quotas imposed by the central court. This activity greatly increased the number of the vouchers in circulation, however.

In 1060, Xue Xiang succeeded Fan Xiang as Fiscal Commissioner and High Commissioner of Xie Salt. During his tenure, Xue Xiang greatly expanded the usage

[373] SS v181, 4417

of salt vouchers.[374] For example, in 1060 the central court required Xue to increase the purchase of horses from Tibetan merchants. Xue Xiang thought the profits that the Tibetan merchants earned were not attractive enough. He therefore crafted a policy that allowed the Tibetan merchants to exchange their horses for tea, popular in Tibet, with merchants from Sichuan. Sichuan merchants wanted silver, which they could exchange profitably back in Sichuan. Xue Xiang used the pond salt vouchers as instruments to satisfy the interests of all of these parties; the Fiscal Commission used vouchers to buy horses from the Tibetan merchants. After obtaining these pond salt vouchers, the Tibetan merchants could bring them to designated prefectures to exchange them for Sichuan goods. Thereafter, the salt vouchers went into the hands of Sichuan merchants, who could exchange the vouchers for silver.[375] This silver belonged to a separate fiscal channel controlled by central government. By using this policy, Xue Xiang could successfully attract merchants from both Sichuan and Tibet by facilitating their trade with salt vouchers. In so doing, Xue Xiang could issue more vouchers, because the demand for them by the Sichuan and Tibetan merchants increased. The silver for repaying the salt vouchers had to be provided by the central government, however, so the salt vouchers still played the role of local bonds.

Moreover, in order to accumulate more cash for preventing debt, the bureaucrats in the Fiscal Commission tended to expand its reserves by issuing more salt vouchers to exchange for copper and iron cash. In 1073 the State Finance Commission 三司 reported that the Fiscal Commissioner of Qinfeng circuit was

[374] Guo Zhengzhong, Songdai yanye jingjishi, 935-936

[375] CB v192 ,4643

reducing the price of the salt vouchers to sell them. According to the report, the original sales quota that the Finance Commission set for the Fiscal Commission was 1,710,000 strings per year. The actual amount of cash that the Fiscal Commission had earned from selling the salt vouchers was already 4,600,000 strings.[376]

As the vouchers had no maturity date or limit of issuance, the local government's arbitrary manipulation shifted their financial burden to the central government. The resources and cash that the central government controlled were insufficient to support such a great deal of local debt. According to the data collected by the Secretariat-Chancellery 中書門下, the highest policy making agency led by the Grand Councilors, the local bureaucrats in Shanxi spent 90,2716 vouchers in the sixth year of Xining (1073). This number was already more than double the actual amount of salt available to be sold to earn the cash. In other words, the local debt had surpassed the total value of the salt that the central government could use to repay these debts. The Secretariat-Chancellery believed that such overspending was caused by the local officials' uncontrolled use of salt vouchers to buy grain and fodder.[377] Moreover, the original agency that Fan Xiang established in the capital to pay the face value for salt vouchers had ceased its work by 1074 due to a lack of hard cash. The central government gave up its function in the stabilization of voucher prices and allowed the market and local government to determine their value.

Until 1074 the government did not put an expiration date on salt vouchers. The government protected the commercial right to buy pond salt by using salt vouchers,

[376] XCB v247,6030

[377] XCB v254,6214

thereby earning great social trust for vouchers. After paying the stated price, the merchant could own the voucher and use it to get one mat of salt, equal to two hundred jin or around eighty kilograms. A legal voucher could only be used in tandem with a sales permission document, called yin 引. After obtaining salt from the Salt Agency at Xie pond, the voucher was taken away but the sales permission was still held by the merchants. They took the salt and the document of permission to those regions where the government allowed them to sell the salt. There the local government claimed the permission document once the merchant arrived at the designated region and began his sales. In order to prevent the counterfeiting of vouchers, the State Finance Commission issued another document that was sent separately to the branch of the Salt Agency at Xie pond. This document listed the information that also appeared on the salt vouchers and sales permissions. Once the merchant submitted the vouchers, the officials who received them would check the information on the voucher with that listed in the documents.[378]

Even though we find central policy makers complaining continuously that the number of salt vouchers had surpassed the actual output of salt, no materials discovered so far show that the government faced any sort of difficulty in satisfying the merchants' demand for salt. This reveals that great number of the vouchers were traded in the financial market rather than used directly for buying salt. Moreover, the low price of salt vouchers compared to the market price of salt also guaranteed that

[378] See Guo Zhengzhong 郭正忠, Songdai yanye jingjishi 宋代鹽業經濟史(Beijing: zhonghua shuju,1990), 483 510

sellers could earn good profits.[379] The market's trust in salt vouchers was therefore more solid than it was for other instruments, such as exchange notes.

The financial market for pond salt vouchers and the factors influencing price

The formation of the financial market for pond salt vouchers benefited greatly from the government's policy of allowing the free trade of the vouchers on the private market, a policy quite different from the other categories of salt voucher. In the case of the powdered salt voucher, the holder's name and the sequence number on the voucher were recorded for reference.[380] The powdered salt voucher therefore had parallels to negotiable monetary instruments, since each voucher could only be held by a particular payee and could not be transferred. As the payer, the government paid powdered salt to the holder. The transaction was limited between the merchant and government, without any private market role. The government in the early Northern Song had strict penalties on the illegal transfer of a voucher's ownership. For example, in 1047 the prefect of Xuanzhou of Jiangnandong circuit was demoted because he changed the name on his powdered salt voucher to another merchant's name.[381]

The pond salt vouchers, in contrast, did not list the holder's name.[382] The Salt Agency at the salt pond needed only to verify the proof of payment stamped on the voucher.[383] To do this they checked their records of the lot number (liaoci) and

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[379] See Guo Zhengzhong, Songdai yanye jingjishi, 605,687

[380] SHY shihuo 27/37.38

[381] SHY zhiguan 65/1

[382] SHY shihuo 23/9

[383] SHY shihuo 27/19

sequence number (chaohao) to see if their records match the numbers appearing on the voucher.[384] This anonymity allowed the pond salt vouchers to be traded freely between holders.

A market for the vouchers emerged for several reasons. The lack of expiration dates allowed enough vouchers to remain in circulation to conduct transactions in the private market. Furthermore, the central government could not afford to buy up all the vouchers in circulation, so it allowed them to float on the private market lest the central government face the danger of default. Third, the central government protected the legal right of merchants to buy and sell salt using the vouchers, making them trustworthy on the market. Lastly, transactions using pond salt vouchers left relatively broad margins for earning profits. This attracted more people to hold the salt vouchers. All these factors promoted the development of a secondary market in which both governmental agencies and social forces actively engaged. However, the various actors in this market also caused uncertainty and price fluctuation.

The Song bureaucracy began to actively engage in the market during the Xining and Yuanfeng periods. In 1069, the central government established an agency in Shanxi to buy back the pond salt vouchers. The operation of the agency differed, however, from the institution that Fan Xiang had created to repay the local debt; most importantly, the government no longer promised to repay the local debt according to the face value of the salt vouchers. Instead, the new institution bought the salt vouchers according their market price. After accumulating the vouchers, the Salt

[384] The format can be seen in the salt voucher issued by the Jurchen government which continued the format of Song voucher. See Jinshi, V48

Commission used them to exchange for salt and monopolized sales in the Yongxingjin circuit of Shanxi.[385] As I will discuss, Wang Anshi expanded this model in an effort to adjust market price and increase revenues. These governmental agencies had a great influence on the vouchers' price in the secondary market.

Furthermore, the active engagement of commercial forces in this market complicated price formation. The widespread usage of pond salt vouchers by both central and local governments strengthened the capacity of social forces to influence the price of the vouchers. Various government agencies not only used the salt vouchers to buy goods from merchants, but also advanced the vouchers to merchants on credit, encouraging them to sell the vouchers and repay the government with cash.[386] As vouchers flowed into the hands of merchants, those merchants preferred not to directly exchange all their vouchers for salt. They held vouchers for many reasons. First, the paper vouchers were much more convenient to carry and store than coins. Great numbers of vouchers were therefore hoarded by the rich. Shen Kuo estimated the number at ten million strings.[387] Second, the iron cash used in Shanxi were forbidden to circulate outside the region, so salt vouchers were welcomed because they could be spent elsewhere.[388] Third, merchants could hold vouchers in

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[385] Zhizhi tongjian houbian 資治通鑒後編, v76

[386] XCB v249, 6071

[387] Shen Kuo, "Zizhiba 自誌八", Shen Kuo quanji 沈括全集(Zhejiang: Zhejiang daxue chubanshe 2009),249

[388] See Chao Buzhi 晁補之, " Chaosanlang chong jixianxiuzhuan tiju xishan songshan chongfugong dugong xingzhuang 朝散郎充集賢殿修撰提舉西山嵩山崇福宮杜公行狀", Jileiji 雞肋集(Taipei: shangwu yinshuguan, 1990) v62

anticipation of their appreciating value on the market.[389] Due to the lack of financial institutions capable of taking deposits, the government could hardly control money flow by the direct regulation of interest rates. The power of collecting and distributing pond salt voucher was therefore shared between government and other social forces.

Within the multi-currency system that complicated transactions between Shanxi and the capital, the changing supply and demand of copper and iron cash would influence the price of salt vouchers. The Northern Song government allowed multiple categories of currency to be used in market. Within the Shanxi region, large iron cash (datieqian or tieqian), large copper cash (da tongqian) and standard copper cash (tongqian or xiaotongqian) were simultaneously used, with exchange rates between these currencies were decided by the government. The government forbad the outflow of iron cash from Shanxi. The basic unit for copper and iron cash was the wen. The large iron and copper cash were treated as equivalent by the government in Shanxi, valued at two wen, while the standard copper cash was one wen. One pond salt voucher had a face value of six min or guan, equal to six thousand wen of either iron or copper.

In real market operations, however, iron and copper cash had different values. In some periods of the Northern Song dynasty, when the government produced more iron cash, the exchange rate of iron against copper decreased, so that in localities such as Shanxi where the price was mainly measured in iron cash, the price of salt vouchers became higher than other localities where its price was measured in copper.

[389] Guo Zhengzhong, Songdai yanye jingjishi, 505

[390] The variation in the voucher's price was therefore caused in part by the exchange rate between copper and iron cash, fluctuating with the supply and demand for those currencies.

Another factor affecting the price of vouchers was the demand for salt on the market. In case where the profits for the merchants were impinged upon by the government's competition for market share or insufficient local demand, the demand for salt vouchers would also decrease. This would result in the depreciation of salt vouchers on the secondary market. [391]

Central policy makers had confronted the depreciation of salt vouchers throughout the reigns of Renzong and Shenzong. Under those rulers, the pond salt vouchers would eventually be repaid by the state with either cash or salt, in accordance with their face value, which was measured both in mats of salt and in

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[390] See Wang Shengduo 汪圣鐸, Liangsong Huobishi 两宋貨幣史,(Beijing: shehui kexue wenxian chubanshe,2003), 551. Wang explains the increase of the vouchers' price from the perspective of the changing exchange rate between iron and copper. This perspective cannot well explain the depreciation of vouchers, however, because the supplies of iron and copper cash did not change greatly in that situation. The supply of the vouchers might therefore be another reason for the changing price. Aside from Wang's explanation, scholars in the Northern Song had also provided an analysis . Sun Jue argued that the government's increase of voucher prices was the cause rather than the consequence of the decrease of the value of iron cash on the private market. According to him,when the vouchers' prices increased, the original market in which the merchants earned benefit through exchanging iron cash for voucher, transporting vouchers to the capital and exchanging vouchers for co,er, could no longer operate. The merchants' interest in using the iron cash therefore fell. Great amounts of copper cash were brought out of Shanxi and more iron cash accumulated within the province. This caused changes in the exchange rate between iron cash and copper. See Sun Jue, "Qi Shanxi guanmai yanchao yi jiu bi zou 乞陝西官賣鹽鈔以救弊奏" QSW v1585, 073 . A similar explanation is also adopted by Gao Congming 高聰明. See his "Beisong yanchao yu xibei huobi tixi 北宋鹽鈔與西北貨幣體系," Zhongguo jingjishi yanjiu 中國經濟史研究, 3 (1991) ,135

[391] For example, the government monopoly on salt sales resulted in the serious depreciation of salt vouchers. See SS, v181,4421-22

strings of cash. The depreciation of these vouchers meant that the government had to pay higher prices for buying goods.[392] It also meant that the government had to devalue its salt to repay the merchants.[393] Either way, this meant the loss of state revenue. Therefore, policy makers repeatedly discussed the depreciation of salt vouchers.

As we will see below, policy makers explained price formation from different perspectives in their analysis of the reasons for depreciation. These various perspectives lead them to suggest different policies to resolve the problem. People like Lü Huiqing and Shen Kuo tended to favor restraining the secondary market, while others like Wang Anshi and Xue Xiang showed more interest and confidence in promoting the government's engagement in the secondary market.[394]

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[392] SS v181,4420

[393] SS v181 ,4417

[394] The Northern Song government had used other ways to manage the salt trade before the New Policies period. These past experiences provided a range of choices for the New Policy makers, especially after they found that the measures they were using were not sufficient to resolve this problem. For example, in some areas the government had monopolized the purchase of salt from producers and sold it to consumers and merchants. Although during some periods before the New Policies era, particularly in Hebei, Jingdong and Sichuan, the government had allowed some producers to sell their salt directly to merchants, the state held a predominant advantage in the salt market. Besides direct revenue from government sales, the local government also obtained funds by forcing the local residents and merchants to pay taxes.The revenues gained in such a manner mainly belonged to the bureaucracies in charge of selling the salt. These bureaucracies therefore became independent actors on the salt market. Although they claimed to represent the interests of the unified state, their motive was to pursue the interests of their own agencies. The bureaucracies most deeply involved in the salt market included the Fiscal Commission at the circuit level and the branch agencies established by the Finance Commission in the central government. After collecting salt from producers, the fiscal commissioners at the circuit level had the prerogative to directly sell it to increase their revenues. As the independent accounting unit, the fiscal commission at the circuit level took the salt revenue as one part of the local fiscal revenue. Some of the local revenues were turned over to the central court. Others were spent for operating local government, covering the cost of su,orting local garrisons, and dealing with emergencies. The central government also built bureaucracies in production areas such as Shanxi to sell the salt. The income from these agencies was directly controlled by the central government.
The government monopoly did not necessarily mean the exclusion of other social forces from the salt market. Two modes of cooperation existed between the government and merchants. In the first mode, the government sold merchants franchise rights to sell salt, with any profit

Issuing Exchange Notes (交子) to Resolve Salt Voucher Depreciation (1073-1075)

Although the exchange notes had been widely used in Sichuan before the New Policies, this period still witnessed an unprecedented experiment that employed the exchange notes as policy instruments for regulating the market price of pond salt vouchers.

In the sixth month of the seventh year of Xining (1074) the Secretariat-Chancellery reported,

> The border areas of Shanxi have received 5,230,000 strings of cash in the sixth year of the Xining period and they gave out 902,716 mats of salt vouchers. The consumers however could only use 428,601 mats. The remainder is void vouchers. [The central government had made the] rule that the local government should not give salt vouchers to the merchants unless they have paid hard cash, and the local government should only use this cash to buy grain and fodder. In reality, however, due to the lack of hard cash and the need for local officials to achieve the yearly quota of grain and fodder purchases, the local officials had to discount the vouchers and use them to buy grain and fodder directly. Some officials suggested that we restore the exchange notes [as a measure to resolve this problem]. Many of them said that by issuing the exchange notes, we could create one million strings of paper money. These people however have not learned the principle of issuing exchange notes. If we use the exchange notes in Shanxi, the number of the exchange notes should be the same as the actual amount of hard cash that the government holds. For example, someone using 10,000 strings of hard cash to get the exchange notes in the border area might want to get back that cash in other prefectures. Such a demand would require some prefectures to prepare 10,000 strings of hard cash so that they it could satisfy the repayment in

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above a certain quota going to the merchants. This mode was widely adopted since Renzong's reign by local governments in regions such as Liangzhe, Fujian and Sichuan. In the second mode, the government would simply wholesale the salt to retailers so that the government could save costs. This practice existed all over the country. The government could also directly sell salt to consumers, though this mode always faced the danger of being rejected because of the unsatisfactory quality of the salt. In order to guarantee profit, the local government in areas such as Fujian "calculated the population's property values to determine the amount of salt they had to purchase."394 The market was greatly damaged by the employment of coercive measures by local government. Without relying on the salt vouchers as the way of mobilizing social forces, the government directly gained copper and iron cash by selling salt and collecting taxes.

> time. If we can satisfy this requirement, then the exchange notes could be the same as hard cash. Then we could use the exchange notes to resolve urgent financial problems and avoid the over-issuance of salt vouchers, which has increased the price of purchases in the border areas. [395]

The central concern of the central policy makers was to guarantee that the central government could repay its debt; otherwise it would be impossible to stop the depreciation of salt vouchers. One measure for resolving this problem was to reduce the amount of salt vouchers until the government could use either salt or cash to repay them. The exchange notes therefore became instruments for achieving such a goal. This scheme aimed at regulating the primary market of the salt vouchers by inventing the exchange notes as replacements.

The policy makers in the above discussion viewed the salt vouchers and exchange notes as financial instruments that the local government used to borrow hard cash and other resources from society. The central government therefore had to take the responsibility of guaranteeing that such debts could be repaid. According to them, because the actual amount of the salt that could be converted into cash could not cover the local debt, the salt vouchers therefore depreciated. The central policy makers had clearly realized that this problem was caused by the local government's overuse of salt vouchers due to their lack of cash. However, they had no intention to cut off the local debt because otherwise the local government had no way to prepare resources for the central court. On the other hand, they had to resolve the problem because they also knew that the depreciation of the salt vouchers would increase of

[395] XCB v254,6214

the central government's burden of repayment, leading to a great loss of government resources.

For these policy makers, unless the government could guarantee the free conversion of exchange notes into iron cash by any prefectural government, the exchange notes would not be accepted by the market. In their view, the only measure was to produce enough iron cash to back the exchange notes. Otherwise the market would lose confidence in the government's solvency and would not continue its purchase of exchange notes. The main goal was to build social trust in the exchange notes.

As we will discuss later, such a policy was supported by Lü Huiqing 吕惠卿, who was appointed Vice-Grand Councilor after Wang Anshi was relieved of his post as Grand Councilor in the fourth month of 1074. However, in the second month of 1075, Wang Anshi resumed his post as Grand Councilor and as his later debate with Lu Huiqing showed, Wang Anshi preferred to continue the loose salt voucher policy while adjusting the price of vouchers through government engagement in the secondary market. He therefore opposed Lü Huiqing's policy of promoting the issuance of exchange notes.

In the sixth month of 1074, however, the central policy makers agreed to promote the exchange notes to complement the salt vouchers. This policy gained support from the Fiscal Commissioners of the Yongxingjun and Fengxiang circuits because it opened the door to increasing the local debt and the minting of iron cash. With the help of such a policy, the Yongxingjun circuit begun to radically expand the mintage

of iron cash in the ninth month of 1074, in preparation for issuing exchange notes.

The local leaders of the Yongxingjun circuit, Military Commissioner Wu Zhongfu and Fiscal Commissioner Pi Gongbi, promoted a plan to recover counterfeit iron cash. According to this plan, the government should use copper cash to buy the counterfeit iron cash that was privately produced and circulated on the market. After taking in these iron cash, the local government should build nine mints to melt the iron and use it to cast new cash. At the same time, the government would also strictly prohibit the circulation of all the old iron cash.[396]This policy would greatly increase local government capacity to control the monetary resources.

When Pi Gongbi and Wu Zhongfu first proposed their plan in the ninth month of 1074, Xiong Ben, the Fiscal Commissioner in the Fengxiang circuit, opposed the plan because he doubted that the government could call back all the counterfeit money or could have enough copper cash to conduct such an ambitious plan. He also worried about the potential damage that the prohibition of currently circulated iron cash would bring to the common people. Because the counterfeit iron cash was very common in society, such a movement would cause great loss to the poor who commonly held their meager wealth in counterfeit iron cash.[397]

The central authorities did not show a clear attitude towards these opinions. This ambiguous attitude encouraged Pi Gongbi and Xiong Ben to conduct local policy experiments even without the formal permission of the central government. From the ninth to the twelfth months of 1074, the Yongxingjun circuit carried out a recall of

[396] XCB v256,6263

[397] XCB v256 ,6264

counterfeit iron cash. Their policy gained support from Wang Guangyuan, the Military Commissioner in the Jingyuanlu circuit, another military circuit of Shanxi. The Finance Commissioner at the central court, Zhang Dun, also advocated that the government should prohibit and recall counterfeit iron cash, and establish more mints to produce new iron cash as preparation for the exchange notes. Although Xiong Ben was still hesitant about this policy, he agreed that the government should mint more iron cash.[398]

In the first month of 1075, Emperor Shenzong agreed to Pi Gongbi's plan to establish nine mints and produce one million strings of iron cash in preparation for issuing exchange notes.[399] According to the record of a later discussion between Emperor Shenzong, Lü Huiqing and Wang Anshi in the ninth month of 1075, Lü Huiqing believed that the recall of counterfeit iron cash would build a strong base for guaranteeing the success of exchange notes. As he stated, " Since we would have already gotten rid of the counterfeit iron cash, our exchange notes would not be issued without enough preparation of [genuine] iron cash. We will hold those iron cash [as backing] for issuing the exchange notes." [400]

Although the circuit bureaucrats in Shanxi had agreed to expand the mintage of iron cash in preparation for issuing exchange notes, conflicts between the circuit government and the functional bureaucracy that managed exchange notes became

[398] XCB v258 ,6299

[399] XCB v259 ,4322

[400] XCB v272,6668

more serious around the first month of 1075. Such a divergence resulted in conflicting implementation of the exchange notes policy and caused the failure of the policy by the end of 1075.

As the main official in charge of the exchange note policy, the Exchange Notes Planning Commissioner Zhao Zhan insisted that the face value of the exchange notes that the government issued should be backed by the actual amount of iron cash that the government held, lest it become hard to guarantee the value of the notes.[401] As the Fiscal Commissioner of Yongxingjun, Pi Gongbi agreed that the issuance of exchange notes should be supported by a certain amount of iron cash. However, he felt that solvency should not be a major obstacle to the issuance of exchange notes. Pi sided with local officials, who viewed the program as a way to use debt to purchase war materiel. He proposed issuing far more exchange notes than the actual amount of iron cash on hand.[402] Zhao Zhan and Pi Gongbi had a great debate on this issue.[403]

Their conflict greatly influenced the implementation of the exchange policy. Zhao Zhan required that Pi Gongbi transfer enough money to his agency so that he could start the business of money exchange in the Yongxingjun circuit. Pi Gongbi however was not very responsive to this request because he did not think it is necessary to prepare the full face value of iron cash for the exchange notes. More seriously, their conflict was known to the public, including the merchants who wanted

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[401] Fan Zuyu 范祖禹, " Tongzhi shumiyuan zhaogong shendaobei ming 同知樞密院趙公神道碑銘", QSW v2152/ 099

[402] XCB v259 ,6322

[403] Fan Zuyu 范祖禹, " Tongzhi shumiyuan zhaogong shendaobei ming 同知樞密院趙公神道碑銘", QSW v2152/ 099

to conduct money exchange with the government. A rumor spread that the government in fact had no cash backing for the exchange notes. Zhao Zhan even connived in the spreading of this rumor and refused to issue an order to imprison those who spread it. The inaction of the bureaucracy exacerbated the market's distrust of the exchange notes.[404]

The central authorities chose to support Pi Gongbi because of their heavy reliance on the circuit bureaucracy to accomplish war preparations. Zhao Zhan was immediately moved to another position and Pi Gongbi gained power to make policy related to the exchange notes.

This policy opened the door for circuit leaders to repeat the same strategies they had been employed with the salt vouchers. They issued large numbers of exchange notes without considering the number of iron cash that the government should reserve for maintaining solvency and protecting the market's trust. This eventually caused serous inflation in Shanxi after Shenzong's reign.

The government's formal abolishment of the exchange notes did not wait until that time. By the eleventh month of 1075, Emperor Shenzong had noticed that the depreciation of exchange notes was already serious, due to overspending at the local government level. In that month, the Fiscal Commission in Shanxi submitted a request to borrow 300,000 strings of cash from the central government to buy grain and fodder. The central government had to appropriate 100,000 strings of iron cash that was originally taken as reserves for supporting the exchange notes. Moreover,

[404] XCB v272 ,6668

Emperor Shenzong required that the local Fiscal Commissions not issue more exchange notes than the actual amount of iron cash they held for exchange. [405]

Emperor Shenzong's attitude illustrates the dilemma of the central policy makers in regulating the market activities of the circuit bureaucrats. On the one hand, they showed strong determination to maintain a stable value for the exchange notes because otherwise the government would lose hard cash in repaying local debt. On the other hand, the central authorities could not reject the local governments' requests for funding because it relied on the local bureaucrats to buy materiel. In cases where the central government could not find other resources for funding those bureaucracies, it had to compromise with local governments and allow them to issue surplus exchange notes regardless of the actual reserves of iron cash.

From the eighth month to the ninth month of 1075, the question of how to build social trust in the exchange notes had puzzled Emperor Shenzong and Lü Huiqing. Emperor Shenzong adopted tactics such as paying an extra bonus to encourage merchants to use exchange notes. Lü Huiqing suggested that the central court show determination that it would continue to use the exchange notes.[406] All these measures could not stop the depreciation of exchange notes, however, nor the resulting depreciation of the pond salt vouchers.

The depreciation of exchange notes triggered a sharper decrease in the value of pond salt vouchers. Benefiting from the different local exchange rates between exchange notes and iron cash, the merchants bought exchange notes at a low price

[405] XCB v270 ,6622

[406] XCB v272 ,6668

from the government in the Yongxingjun circuit and sold them to the prefectural government of Qinzhou where the price of exchange notes was higher. The government lost a great number of iron cash in this transaction. Moreover, because the merchants could earn much more profits than in their previous trading of salt vouchers, they lost interest in salt vouchers. According to the data collected by the central government, the government lost twenty percent of its iron cash in the currency exchange market, while the price of salt vouchers fell to 1000 strings of cash per voucher.[407]

In the first month of 1076, Sun Jiong, the Finance Management Commissioner in Xihe Circuit, submitted a memorial persuading the central policy makers to give up the current exchange note policies. In the first part of the memorial, Sun Jiong described how merchants could earn money through trading the exchange notes from one local government to another, leading the government to lose hard cash. He further stated,

> The court issued the exchange notes for the purpose of reducing the expense of transportating hard cash, and because the pond salt vouchers depreciated, the government used the exchange notes to support its salt voucher policy. Nowadays, [due to the market operations described above], the transportation fees are wasted and the price of salt vouchers is deeply harmed. This has greatly benefited the engrossing families who have won over the government in commercial competition. The government needs to purchase war materiel for the future; hard cash should be valued.[408]

Sun's narrative illustrates how clearly officials observed how social forces earned profit through manipulating the market. Such observations did not, however, lead

[407] XCB v272 ,6667

[408] XCB v272 ,6667

them to explore measures to intervene, regulate or manipulate this market. What the state should do given such a market mechanism is to protect its hard cash resources so that it can guarantee the purchase of materiel. The only possible measure therefore was to cease the use of exchange notes.

In the case studied above, state intervention into the financial market was limited because the central government only sought to control the amount of salt vouchers through issuing alternative currencies. The rationale behind such a policy was that the depreciation of salt vouchers was mainly caused by circulation of surplus vouchers that could not be repaid by the government with either salt or hard cash. The goal was to strengthen the repayment capacity of government by replacing some of the salt vouchers with exchange notes and improving the government's reserves of iron cash as backing. The government therefore issued the exchange notes and new iron cash as alternative currencies so that the number of salt vouchers could fall to an amount at which all vouchers could be efficiently converted into salt. Although such a policy matched the interests of both central and local governments in expanding their control of money resources, the actual implementation of the policy did not achieve this goal due to the local government's disinterest in guaranteeing repayment. Local implementation of the policy therefore focused on the constant increase of exchange notes and iron cash as the measures for conducting purchase. Due to the lack of regulation of market activities by both local government and merchants, the exchange notes failed to earn trust in the market and therefore greatly depreciated. The depreciation also resulted in the depreciation of salt vouchers. In facing such a

problem, both central policy makers and local bureaucrats found no solution but to protect their revenues. They abandoned the exchange notes in the first month of 1076. Under Wang Anshi's influence the state adopted an alternative policy that represented different ways to perceive and resolve the depreciation of pond salt vouchers.

Wang Anshi' Policy Paradigm and Its Practice in Regulating the price of Salt Vouchers

The New Policy makers' plans for price regulation

Rather than simply reducing the amount of salt vouchers in circulation, Wang Anshi's scheme tended to add a coordinative role to the state. For him, without external force, resources would be centralized in the hands of the few big merchants who had great resources to manipulate the market price. The majority of market participants--small merchants and common people--would emerge as losers. In Wang Anshi's policy paradigm, the state was the only political unit that could go beyond any private interest, and coordinate the interests of the major participants. Being confident in their plans of education and building material incentives, the New Policy makers such as Wang Anshi believed that the bureaucrats who acted on behalf of the state would be faithful, wise and capable agents of the central leaders. Through investigation, the state would know what those participants could supply and the materials they sought. The state could therefore adjust the distribution of resources depending on its knowledge of demand. This coordinative role, Wang thought, could also increase the state's revenues. The majority of market participants and state could all benefit from such policies.

From the eighth year to the ninth year of Xining's reign (1075-1076), Wang

Anshi’s policy paradigm was adopted together with the exchange note policy in regulating the price of salt vouchers. After the abolition of the exchange notes in the first month of 1076, Wang Anshi's policy played the leading role until the second month of 1077. Compared with other measures, Wang Anshi’s scheme offered more varied and flexible modes of state intervention into the pond salt voucher market. The essential idea that guided his policy was the belief that the state could adjust the “ratio of exchange 輕重” between different categories of currencies and between currencies and goods through its flexible “collection and distribution 斂散” of those currencies and goods.

In Wang Anshi’s understanding, price is determined by both supply and demand. The government’s activities in the market as either demander or supplier would greatly influence price fluctuations. The government bought commodities or forced taxpayers to convert their own products into other materials or currencies according to the requirements of the state. This process in his discourse refers to "collection 斂". The government also sold goods to earn money, hence "distribution 散." In his discussion of price, Wang Anshi assumed a normal range of price fluctuation, but held that the government’s excessive demand for certain materials would cause the price to spike beyond such a range. For example, in explaining why silver and gold became expensive, Wang Anshi stated that because tax collectors did not know the proper way of collecting tax, they asked taxpayers to offer payment only in silver and gold. The social demand for silver and gold greatly increased and they became very expansive. Wang Anshi further suggested that the government choose other goods as tax based on

their current price.[409] In another situation, the government urgently sold three million shi of rice. Wang Anshi strongly opposed this plan because he predicted that such a large sale would cause a decrease of the price of rice.[410]

The state's intervention into the market should center on collection and distribution so that the price can be maintained within the proper scope. This process in his view also meant competition between government and the big merchants whom Wang Anshi also labeled "engrossing families 兼併之家." In Wang Anshi's view, the market price was manipulated by those big merchants because of their advantage in controlling resources. For example, in some situations the central government forced local bureaucrats to offer as tribute certain goods that were difficult to collect in that locality or that season. In order to fulfill this quota, the local government had to rely on big merchants. Those merchants collected goods from localities where the price was low and sold them to the government at a high price.[411] In Wang Anshi's scheme, the fundamental way to overcome this problem was to make the state replace the function that had been played by the big merchants.

Wang Anshi developed a complicated mechanism by which the state decided its actions in the market depending on changing commodity prices. The state should not be passively led by price changes as were the common merchants; rather, he advocated, it should use its policies to influence prices. The fundamental difference

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[409] Yang Shi 楊時, " Shenzong Rilu bian 神宗日錄辯," QSW v2688/124 ,314

[410] SHY shihuo 39/23

[411] Wang Anshi, " Qizhizhi sansi tiaoli 乞制置三司條例" Wang Jingong wenji qianzhu zhong, 1140

between the state and engrossing families was that the state would not only pursue its economic interests through control of resources. Although it could handle great resources, it would not randomly use its advantage to increase the price. In demanding materials, the state could buy them at a higher price so that small sellers can benefit. In supplying materials, the state could consider the economic interests of small merchants and commoners, choosing a lower price.

The role of state in this paradigm should be achieved by a deep inquiry into the market conditions in different localities. Based on this information, the state could collect and distribute goods in a timely manner. After that, the state could find a proper price to sell those goods or credit them to the small retailers.

I define Wang Anshi's design as the “market-coordinating state.” The state’s main tool in coordinating the various interests of the major market participants through price regulation was its control of resources in response to the changing market situation. Three main qualities can be seen in Wang's policy paradigm: First, in contrast to the Neo-liberal and Keynesian principles that prevail among modern states, his idea did not take the promotion of free market competition as its goal. He did not believe that competition could ever attain the ideal distribution of resources according to the interests of the majority because the big merchants would reinforce their advantage through manipulating the prices of the resources they controlled. The state's intervention was therefore needed to protect the common people and small merchants. Hence, the market was not an economic space for unregulated competition, but rather a place under protection by the power of the state.

Second, although he did not believe in the self-adjustment of the market, Wang Anshi still took supply and demand as necessary means by which the state could protect the market order and increase its revenue. The market in his paradigm was understood as the place where price was determined by the changing supply and demand conducted by state and social forces. Price changes also influenced the state's revenue. The state could not simply rely on its coercive power; it had to rely on the mechanism of price-adjustment to gain revenue. "Price" therefore became the central concern in the discourse of the crafters of the New Policies. This paradigm differed substantially from the mandates that ignored factors of price but tended to distribute resources through administrative command. Wang Anshi treated the merchant's sales and government monopoly of sales in a practical manner. As the salt voucher case will show, although Wang Anshi promoted the state monopoly of salt sales in some areas, his intention was to strengthen the state's capacity to coordinate social interests and regulate prices because he thought that the monopoly could gave the state more space to manipulate the supply and demand of salt vouchers. For him, such a capacity was necessary for increasing the state's revenue and for the state to finance its security needs.

The third dimension of Wang Anshi's thought on the subject derives from his assumption that the state is a coherent unit despite the existence of different bureaucratic units. Wang Anshi repeatedly described such a state as "the single source 一孔" from which all benefits flowed. The possible existence of divergent bureaucratic interests did not appear in his discourse. Instead, he proposed that the

various government agencies would cooperate with each other, fulfilling their respective roles and collectively contributing to the goals set by the central court. This perspective resembles a common belief held by supporters of state intervention in other eras and countries. As Vito Tanzi has argued, "under such a perspective, both policy makers and bureaucrats had no personal or group interests to promote, and they pursue only the general public interest,… and such an interest can be defined." The state therefore "can be given monopoly powers over the needed policies."[412] Any single bureaucratic unit had the faithfulness, wisdom and capability to represent the public interests of both society and state. The New Policies makers had realized that bureaucrats might cause some problems destructive to the original goal of state intervention, but they were confident that they had efficient regulative measures to correct those mistakes, as they knew how to form correct thinking through education and material incentives. The role of the market-coordinating state in Wang Anshi's thought was manifested by the bureaucracies that closely and efficiently cooperated with each other, actively participating in the market to regulate prices and increase revenues.

In practice, however, Wang Anshi did not put great focus on how to shape the unified action of all bureaucracies. He avoided regulating the existing Fiscal Commission in Shanxi, but created new agencies to fulfill the government's role in coordinating the interests of various social forces. The major institutions he created include the State Trade Bureau and the Xie Salt Sale Agency. He believed that these

[412] Vito Tanzi, Government versus Market: the Changing Economic Role of the State. (Cambridge: Cambridge University Press 2011),4

agencies would achieve his goal of regulating prices if they were endowed with more resources. Such a policy however raised great resistance from the existing bureaucracies such as the Fiscal Commission in Shanxi.

The fulfillment of the market-coordinating mode of the state in Wang Anshi's design relied on a number of conditions, the first of which was timely and accurate collection of trans-regional market information by the government. Based on this information, the government could decide to sell or purchase goods at the right moment. The government agencies capable of fulfilling such a role should extend their intervention into different regional markets so that they could handle as much as possible the information collection, purchase, transfer and selling of materials across various regions. Second, the successful achievement of the state's function also relied on a professional bureaucratic group that could flexibly deal with market changes and deploy the resources they controlled to satisfy the interests of both state and society. In practice, they should have insight into both the short-term operation and long-term trends of the market, not only to maintain good market order but also to guarantee the state's economic interests. Thirdly, the state's strong capacity to adjust prices was also determined by its advantage in controlling resources. If resources were controlled by the engrossing families rather than the state, those engrossers would satisfy their interests by manipulating the shortage of resources. The price would be determined by them and would be harmful to both the state and small merchants. Finally, the New Policies plan relied on close cooperation between different agencies. In particular, it

needed the State Finance Commission and the Fiscal Commission in Shanxi to fulfill their respective roles and closely cooperate with the new agencies created by the New Policies makers, such the State Trade Bureau and the Xie Salt Sales Bureau. They would need to give up their own institutional and economic interests and serve the collective interests of the state as a whole.

As we will discuss, the agencies created under the auspices of the New Policies could not satisfy all the above requirements.

Wang Anshi's measures to regulate the price of pond salt voucher.

State intervention in the pond salt voucher market was embodied in the activities of concrete bureaucratic agencies, including the State Trade Agency, Salt Voucher Purchase Agency and Xie Salt Sale Agency. Wang's view of the state's role differed from that of supporters of exchange notes, such as Lu Huiqing. In the eighth month of 1075, Wang Anshi debated this issue before Emperor Shenzong. As Lu Huiqing himself recorded,

> [Wang An]shi said, "The issuing of exchange notes has hampered [the successful operation]of salt vouchers. "
> The Emperor said, "The exchange notes are converted into hard cash. The salt vouchers are converted into salt. They will not hamper each other." ....

> [Wang An]shi said, " Eventually it hampers the salt voucher. The output of salt is not stable, and the government's supervision and prosecution of the illegal salt trade is not thorough. We also lack a fixed figure for how much salt society actually consumes. If we issue many salt vouchers, we will gain the salt. If we issue too few, then we will lose the profit from selling the salt. It is a pity! We therefore need to issue more salt vouchers and we can build an agency to sell them at a reasonable price."

> I said, "I cannot agree with you. Although the yearly output of salt is not stable, the salt consumption cannot be too much more than average. This is different from the consumption of wine. We decide the tally of salt vouchers

> according to the average quantity of consumed salt, but the consumption of salt will not increase greatly in the years with high production. It is not difficult to immediately issue the salt vouchers when people need salt and the vouchers have proven insufficient. Then the salt vouchers will always be valuable. If the vouchers are valuable, then the price of grain will not increase. Therefore it is better that we issue fewer salt vouchers and use the exchange notes.[413]

Wang Anshi had confidence that the government's intervention into the salt voucher market would resolve the depreciation problem even should the number of salt vouchers exceed the actual consumption of salt. He rejected the explanation that the depreciation of salt vouchers was caused by surplus issuance, as he believed that the market mechanisms that decided the vouchers' price was much more complicated, with the bureaucracy constituting an important participant in the market. Because of his belief that the bureaucracy had a strong capacity to influence prices, and because the process of shaping the price could also make a profit for the state, Wang Anshi tended to favor an relaxed salt voucher policy.

Wang Anshi's view was conveyed by the eight points of a new policy that the Finance Section of the Secretariat-Chancellery formally promulgated in the fifth month of 1075.[414] The policy was based on two fundamental explanations for salt voucher depreciation. It stated,

> [We have] limited capital for the purchase of vouchers but [we have] issued too many vouchers. When the vouchers could not all be bought up, their value fell. [The merchants] increases the price for grain and [the government] has had to spend more salt on it. This is what happened to Shanxi's pond salt

[413] XCB v272 ,6668

[414] For a brief Translation of the Policy, see Cecilia Lee-fang Chien, Salt and State, An Annotated Translation of the Songshi Salt Monopoly Treatise (Ann Arbor: Center for Chinese Studies, the University of Michigan, 2004)

> [market]. Therefore, salt vouchers should not be issued without limit. This is the first point.
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> Moreover, even if we set a limit for the issuance of salt vouchers, when merchants have wanted to exchange them for cash and the government would not purchase them, they have fallen into the hands of engrossing families. The voucher price then dips even further. When the border is in dire need, we still have to overissue salt vouchers. So it is fitting that an agency be established to stabilize the market price by purchasing these vouchers. This is the second point.[415]

The above scheme came from the understanding that the salt vouchers' depreciation was partly caused by uncontrolled local debts growing beyond the government's capacity of repayment. The central policy makers therefore aimed to regulate the local government's activities that led to this indebtedness. First, the central court set a limit on the total number of salt vouchers that the local government in Shanxi could issue, thus requiring that local debt be restrained. Second, the central government shifted the burden of repayment to the Fiscal Commission of Shanxi. As the third point of the plan stated, the Procurement-sales Salterns bought the depreciated salt vouchers at face value. After buying them, the central government sold these vouchers. If the vouchers could not be sold, the loss would be deducted from the financial allocation that the central court provided for the circuit government. The central government also required the Fiscal Commission to pay 10,0000 strings of copper cash as the fund for repaying the salt vouchers. Third, the central court required that the number of salt vouchers in circulation should not exceed the actual amount of salt that the market could consume.

The policy's drafters took the big merchants as another main cause of

415 XCB v263 ,6437-38

depreciation, in keeping with the policy paradigm of Wang Anshi. Based on such an observation, the new policies redefined the function of government in the salt voucher market. As the second point of the policy stated, the government should compete with the engrossing families in buying and selling the salt vouchers. In contrast to their previous single function of repaying debt, under the new policy government agencies could use the vouchers as capital for supporting their engagement in the market. These agencies included the State Trade Bureau and the Procurement-sales Salterns 買賣鈔場.

Two purposes determined the new modes of using salt vouchers: regulating the salt voucher's price and increasing state revenues. In the view of the drafters of the New Policies, these two goals could simultaneously be achieved by treating the salt vouchers as good capital. The operation of this capital by the governmental agencies could make up for the financial losses caused by the depreciation of salt vouchers. Because increasing revenue using the salt vouchers was a common goal of local and central government, the central court tended to give the bureaucracy great autonomy in handling the large numbers of salt vouchers in the market.

The new policy thus established two measures for buying salt vouchers from the secondary market. The vouchers that were issued before the fifth day of the fifth month of 1075 would be bought by the State Trade Bureau depending on the market price. The salt vouchers issued after that date would be bought by the Procurement-sale Salterns according to the denomination of the vouchers. After

buying the vouchers, the agencies could sell them, use the vouchers to buy and sell salt, or credit the vouchers to merchants for earning interest. As the New Policies stated,

> The old vouchers depreciated due to the failure of the government to purchase them. The merchants had gained these vouchers through selling grain to the local government. Since the government already lost the benefits, we should just allow the State Trade Bureau to buy them at the depreciated price…... If we only make the State Trade Bureau buy the vouchers at the depreciated price and not at their face value, the price of salt is harmed. .... If we can buy up all the vouchers at their depreciated price, our interests would not be damaged. [But we have to consider that in the real situation], if we buy the vouchers at the low price, the merchants could compete with us by increasing the purchase price. It is therefore difficult for us to buy up all the salt vouchers. The government may buy ten percent of the vouchers, but the merchants can buy ninety percent. Ninety percent of the benefits caused by the depreciation of the price of salt would go to merchants while the government would only get ten percent. We therefore cannot merely rely on buying the vouchers at a low price while abolishing the purchase of vouchers at their face value.[416]

The regulation that governed these commercial activities was the Regulation for the State Trade Bureau 市易法, which was promulgated by the New Policy makers in the second month of the fifth year of the Xining period (1072).The essential point of the regulation was to enlarge the government's control over commodities so that the government could set proper prices for the respective materials, benefit the small merchants while gain reasonable interest for the state. According to the regulation, the State Trade Bureau could negotiate with affiliated small merchants to decide upon the prices for these materials. After deciding the prices, the State Trade Bureau would offer these materials to the small merchants on credit. The small merchants would pay ten to twenty percent of the price as interest to the Bureau, repaying the principal of

[416] XCB v263 ,6437-38

the loan before a set deadline. Deliberation between the government and the borrowers would guarantee the protection of the small merchants and exclude the negative influence of the engrossing families. In case the State Trade Bureau could not find borrowers, it could instead sell the commodities. They should not force others to buy their goods, nor should they excessively pursue profit by setting high prices.[417] In the view of the New Policies makers, the purposes of seeking state revenue and maintaining good market order were not in conflict and could be achieved simultaneously.[418]

In the eight-point plan, the New Policy drafters designed a mechanism tfor organizing the cooperation of various government agencies, which was a precondition for the State Trade Bureau and Xie Salt Sale Bureau to fulfill their price-regulation function in the market. Within this mechanism, the Fiscal Commission in Shanxi needed to give up some salt tax resources. Before the implementation of the New Policies, the fiscal commission had collected tax from merchants who sold salt in some regions. The New Policies however restricted merchant trade of pond salt in those regions, only allowing the State Trade Bureau and the Xie Salt Sales Bureau to sell there. The Fiscal Commission therefore lost revenue. Moreover, the Central Finance Commission played a decisive role in guaranteeing social trust in the salt vouchers. The Finance Commission continued purchasing the vouchers according to

[417] XCB v231 ,5266

[418] See XCB v263 ,64378. Scholars like Liang Gengyao treated this policy as evidence to show the predatory nature of state because it wanted to buy the vouchers with low price. My argument however is different. The purchase of salt voucher with the low price served the purpose of buying up all the salt vouchers, which had no conflict with the goal of regulating the price. See Liang Gengyao, “Shiyi fa shu”.

their denomination. Otherwise the State Trade Bureau and Xie Salt Sales Bureau could not gain the trust of merchants and would fail to regulate the price of vouchers by adjusting the demand and supply sides.

Because of their confidence in the mechanisms for organizing various bureaucracies and market actors, the New Policy makers strengthened the new agencies' control of salt vouchers. In the tenth month of 1074, Finance Commissioner Zhang Dun prompted the central court to borrow 5,000,000 strings of cash to the State Trade Bureau, allowing the Bureau to deliver this cash to the border area to buy salt vouchers from the circuit government. Zhang Dun convinced Emperor Shenzong by promising that the State Trade Bureau could earn three to four million strings of hard cash per year through capital operations using the salt vouchers. This income would offset the eight million strings of cash that the central government had lost during the past four years due to the depreciation of salt vouchers.[419]

Multiple modes of capital operation were practiced by these governmental agencies. The outcome of those modes benefited the common purpose of both the central court and the bureaucracy to prepare war materiel. The State Trade Bureau extended the pond salt vouchers to merchants on credit. The hard cash gained from the loan interest would be delivered to the border areas to support local expenditures. For example, in the eighth year of Xining, a merchant named Guo Huaixin did not repay his loan to the State Trade Bureau; he asked to help the Bureau directly

XCB v257 ,6279; v268 ,6598

transport hard cash to the border prefectures in order to avoid fines.[420] In another case, the policy makers gave peasants salt vouchers to buy the grain and fodder that they would harvest in fall. This policy adjusted the price of grain, preventing the price from rising too high in case of a poor harvest or too low in case of a bumper crop. The government could also strengthen its stockpile of grain and fodder so that it would not rely on the engrossing families in case of a poor harvest. The State Trade Agencies also earned 1,000,000 strings of profit by buying and selling different categories of grain which had different market prices.[421] A third case shows that the State Trade Bureau used cash to help the prefectural governments buy silk from producers. The salt vouchers that were originally used by the prefectural government were transferred to the Bureau. The Bureau then sold the vouchers to earn profit.[422]

Moreover, the New Policy makers encouraged the bureaucratic agencies such as the Xie Salt Sales Bureau and State Trade Bureau to use large amounts of the salt vouchers to buy salt. The Xie Salt Sales Bureau was established in the fourth month of the eighth year of Xining period, gaining direct support from Wang Anshi. Both these agencies received funds from the central court and controlled great amounts of salt vouchers. With the permission of the central court, they bought depreciated salt vouchers from local governments or on the market and converted those vouchers into salt from the Xie ponds. Thereafter they sold this salt in designated areas. The low cost and the high price guaranteed their profits. These agencies expelled other social

[420] XCB v266 ,6524

[421] XCB v265 ,6488-89

[422] XCB v269 ,6590

forces from the salt market. From the eighth year to the tenth year of the Xining period, the central court continuously enlarged the region in which these agencies monopolized the privilege of selling the Xie salt, eventually covering prefectures in Shanxi, Jingdong, Hebei, Lizhou and Yizhou circuits. Many of these regions had previously allowed merchants to sell salt. The earnings from the monopoly of sales did not belong to the circuit governments, as the central government directly controlled this part of the revenue.[423]

Prompted by this policy, more bureaucratic agencies gained the privilege to use the salt vouchers on the market. The new policies integrated the central court and those agencies into the same chain of interests. The central leaders paved the way for those agencies' pursuit of profits, which also served the central court's fiscal demands. For example, the profits that the State Trade Bureau earned by using the salt vouchers often had to support the temporary needs of the central court.[424] This new fiscal structure changed the original arrangement, in which the central court had heavily relied on the Fiscal Commission in Shanxi to gain resources. Through promoting the development of these new agencies, the new policy makers believed that they could adjust the salt voucher's price while also earning benefits by using the vouchers as capital. The real economic situation, however, did not harmonize with such a scheme.

The consequences

The New Policies makers' wisdom however could not deal with the real situation in the financial market. First of all, the New Policies makers could not ever regulate

[423] XCB v274 ,6716

[424] SHY shihuo37/25

the activities of the circuit government in Shanxi. The over-issuance of salt vouchers was still serious. Although the New Policy makers had fixed the quotas for the local government issuance of salt vouchers, local governments tried many ways to break the restriction and expand their issuance. In facing this problem, the New Policies makers faced a dilemma. The Fiscal Commissions in Shanxi were the main agencies in charge of the purchase of war materials, so it was impossible for the central government to stop their spending of salt vouchers. The dilemma reappeared in the case of exchange notes. Although the eight-point policy tended to constrain the Fiscal Commission's overspending of the salt vouchers, it still left spacious leeway for the indebtedness of the circuit government.

The Xie Salt Bureau maintained the power to issue salt vouchers. The head of the Bureau, Pi Gongbi, also served as the Fiscal Commissioner of Yongxingjun. The issuance of salt vouchers served local interests. As Shen Kuo, the Finance Commissioner, complained in the tenth year of Xining period, "The local bureaucracy holds the power of increasing and decreasing the quantity of salt vouchers. [Its officials] do not care whether the Finance Commission has enough resources [to repay their debt]."[425] Although in the eight-point policy the central government had set 220,0000 strings per year as the ceiling for local debt, only one year after the policy was implemented the Shanxi local government had already broken the restriction to issue 109,8000 extra strings.[426] After this activity was stopped by the Finance Commission, the Fiscal Commission continued asking for more salt vouchers to buy

[425] XCB v280 ,6870

[426] XCB v273 ,6679

grain. The central government had to agree and allowed them to use the quota for the following year.[427] The key factor that caused the depreciation of salt vouchers could not be fundamentally resolved.

Moreover, the unlimited issuance of salt vouchers had lasted for more than thirty years since Fan Xiang first created the salt voucher policy in 1043. The accumulated salt vouchers remained in circulation, especially at the hands of merchants. The central policy makers however had no grasp of the actual number of those vouchers because previously the power of issuance was held by local government. After the recall policy was put into practice, the central leaders were surprised to find that the number of salt vouchers far exceeded the government's capacity of repayment. For example, by the tenth year of Xining period, the State Trade Bureau had borrowed 59,3000 strings of cash from the Finance Commission to buy the Xie salt vouchers. Even it only bought those vouchers at the depreciated price, the central government still found it impossible to buy back all the vouchers in circulation.[428]

All these factors make the government incapable of controlling the salt voucher market. The salt vouchers were still used at the local government level and most of them had flowed into the hands of big merchants, who controlled salt vouchers which had been issued over the past thirty years. The government's price-adjustment plans faced insurmountable competition from other social forces.

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[427] XCH v277 ,6776

[428] SHY shihuo24/15

Second, the bureaucratic agencies with which the New Policy makers planned to regulate the price could not fulfill their function due to their weak capacity to deal with market changes. In facing jagged shifts in price, their strategies were far from efficient. As Shen Kuo noted in the tenth year of the Xining period, the market activities of the bureaucratic agencies that controlled a large quantity of salt vouchers were not following the original intention of price regulation. Rather than acting as one unit, the commercial interests of various bureaucracies became fragmented. In competing with each other, the only strategy that these bureaucracies could use was to keep on lowering the price of salt vouchers in order to find more buyers.[429] Otherwise, they had to rely on political power to sell their vouchers. For example, the Xie Salt Sales Bureau forced commoners to buy salt, which caused widespread rejection of salt vouchers as the market for salt shrank due to government intervention.[430] The original intention to adjust the price of salt vouchers through increasing government demand caused unexpected consequences.

Third, the successful implementation of the New Policies required the Fiscal Commission and the Central Finance Commission to cooperate with the State Trade Bureau and State Salt Sales Bureau. In practice however, the new agencies' intervention into the markets of salt vouchers and salt provoked great opposition from other agencies. The Fiscal Commission and Central Finance Commission tried to refuse to cooperate with the new agencies. As the Fiscal Commissioner of

[429] XCB v280 ,6870

[430] XCB v280 ,6868; v281 ,6884

Yongxingjun and the Xie Salt Commissioner, Pi Gongbi strongly opposed the monopoly of salt sales conducted by the Xie Salt Sales Bureau. According to Sima Guang's description, Pi Gongbi attributed the crash in voucher prices to the monopoly of sales by the Xie Salt Sales Bureau, pointing to the fact that the Xie Salt Sales Bureau had been forcing common people to buy their salt based on their level of personal wealth. Pi Gongbi further implied that failure of the policy was caused by the bureaucrats' self-interest, because the bureaucrats in the Xie Salt Sales Bureau and State Trade Agencies profited by abusing their power, leading to great social opposition. The merchants who used salt vouchers found that the salt market was dominated by the Salt Sales Bureau. The salt vouchers were therefore shunned by commercial forces and their value plummeted.[431] Pi Gongbi suggested that abolishment of the Xie Salt Sales Bureau was the only way to address this problem.

Pi Gongbi's critique resembled a line of reasoning commonly held by the critics of the New Policies. As we have discussed in Chapter Two and Three, critics believed that it was impossible to make bureaucrats overcome their self-interest during the policy implementation process. The only way to resolve this problem would be to completely abolish the policies. In the case of salt vouchers, such a line of reasoning led Pi Gongbi to suggest that the central court take the power to use salt vouchers away from the agencies created by the drafters of the New Policies.

Moreover, Pi Gongbi's attitude towards salt vouchers was also shaped by the conflicting economic interests of the circuit Fiscal Commission and the Xie Salt Sale

[431] XCB v280 ,6868; v281 ,6884

Bureau. In prefectures such as Tongzhou, Huazhou, and Shanzhou in the Yongxingjun circuit where merchant sale of salt was allowed, the Fiscal Commission collected commercial taxes from the salt trade. When Xie Salt Bureau monopolized the sales of salt in these areas, the Fiscal Commission lost that revenue.[432] Different modes of salt trade were therefore closely related to the underlying economic interests of various bureaucracies. The opposition to the salt policies by the local Fiscal Commissioner not only represented the personal view but also the interests of the local bureaucracy he represented.

The Finance Commission at the central court was also dissatisfied with the new agencies. The Finance Commission was responsible for buying up all the vouchers to stop depreciation, but these new agencies controlled great amounts of vouchers and caused further depreciation. The Commission sought to take over these new agencies' privilege in trading salt vouchers and to adopt more radical and coercive measures to control the circulation of the vouchers.

As the Finance Commissioner in the central government, Shen Kuo's perspective represented the interests of his agency. Although Shen Kuo agreed with Wang Anshi's goal of strengthening governmental control of salt vouchers, he did not trust that the bureaucracies promoted by Wang Anshi could achieve such a goal. At the same time, he was cautious when handling requests from local government. . In a memorial he sent to Emperor Shenzong, Shen Kuo reminded the monarch that the Xie Salt Sale Bureau could earn more than 200,000 strings of cash for the central court through its

[432] SHY shihuo21/10

salt sales. The government therefore needed to carefully calculate the costs and benefits to be caused by changing from a monopoly to permitting merchant sales of salt.[433]

In contrast to Pi Gongbi, Shen Kuo did not attribute the salt vouchers' depreciation to the Xie Salt Sales Bureau alone. Instead he insisted that the over-issuance of salt vouchers by local government and the competition between bureaucratic agencies for material interests were the main causes. Shen Kuo's suggestion to resolve this problem differed from both Wang Anshi and Pi Gongbi. He did not believe that enlarging the regional scope for merchant sales of salt could resolve the problem, neither did he support delegating autonomous power to bureaucratic agencies and follow the market to adjust prices. He believed that the private interests of both merchants and bureaucrats were impossible to regulate. The central government could only rely upon itself.

He therefore proposed strengthening the power of the Finance Commission and adopting more radical measures to control the number of salt vouches. Shen Kuo gave four suggestions to the monarch. These suggestions included 1) strictly controlling the number of vouchers for each year; 2) equalizing the price of salt between the western and eastern parts of Shanxi; 3) taking back the power of issuing salt vouchers from local government to the Finance Commission; 4) strictly forbidding bureaucratic agencies from devaluing salt vouchers, using mandatory measures to call back all surplus vouchers by requiring additional payment from the voucher holders to

[433] XCB v265 ,6442

increase their price.[434]

Shen Kuo proposed the same goal as Wang Anshi: use governmental force to reclaim all the vouchers and increase their price. However he distrusted Wang's reliance on the market to adjust their price. Relying on bureaucratic agencies to collect and distribute resources was not sufficiently efficient to achieve this goal. For Shen Kuo, more radical measures were needed, using government power to promote the value of the vouchers. The burden of repaying the local debt should be shifted from the central government to the holders of the vouchers.

Shen Kuo's scheme on salt vouchers was related to the broader monetary policies implemented by the Central Finance Commission. As Finance Commissioner, Shen Kuo was concerned with the problem of monetary shortage. He opposed the local minting of more iron cash to resolve this problem because he thought that it would be impossible to avoid the problem of counterfeiting, and iron cash would not be trusted by the market. He held that the government should promote copper cash and salt vouchers as the main forms of currency. The main cause of the shortage of copper cash, he believed, was people's hoarding of copper. The government needed to guide society to change this habit and store salt vouchers instead, so that more copper cash could return to circulation. It was first necessary to stabilize the salt vouchers and stop their depreciation.[435] As to this point, Shen Kuo differs from Wang Anshi in that he viewed the salt vouchers more as money for general circulation than as capital operated by government to win profit.

[434] XCB v280 ,6870

[435] XCB v283 ,6927

While Wang Anshi assumed that the new agencies he created had the capacity to adjust demand and supply based on market changes, Pi Gongbi and Shen Kuo believed that the bureaucrats could not overcome their self-interest in pursuing economic benefits. None of them, however, had proposed any practical plan to guide the bureaucrats to deal with actual market challenges and make their policies adaptive to those changes. The only measures these people could propose therefore were to keep relying on the new bureaucracies or on other forces, such as merchants and the central court.

The depreciation of salt vouchers was still serious after the new policies were implemented. The market value kept on decreasing from six strings to about two strings per voucher.[436] This continuous depreciation gave opponents enough evidence to declare Wang Anshi's policy as a failure and promote other measures. After Wang Anshi resigned from the position of Grand Councilor in the tenth month of 1076, the central court called for reform of the pond salt voucher policies. The policies promulgated in the second month of 1077 reflected the different positions of the New Policy drafters, Shanxi's Fiscal Commissions and the Finance Commission of the central government.

Rebalancing Opinions and Interests: the Salt Voucher Policy of 1077[437]

In addressing the competition between these bureaucracies, the central leaders could not harmonize them to achieve their respective responsibilities. Instead, the leaders had to allow them to independently pursue their own interests. In the second

[436] XCB v274 ,6716

[437] For a brief Translation of the Policy, see, Cecilia Lee-fang Chien, Salt and State, ,123-124

month of 1077, the Fiscal Commissioner of Yongxingjun, Pi Gongbi, and the Finance Commission collectively promulgated a new salt voucher policy. This policy synthesized the ideas and goals of the previous policies while reflecting the interests of the bureaucratic agencies that had been engaged in the salt voucher market. The results included loosening control of salt sales by merchants, and forced voucher holders to pay an extra fee.

The policy adopted a new explanation for the cause of depreciation. It claimed,

> Abuses of the salt policy were due to Xihe Circuit over-issuing vouchers, making their price fall and the fodder and grain prices rise. Furthermore, in what are supposed to be merchant sales districts to the east, west, and south of the three circuits, the government also sells salt, disrupting merchant participation. The salt policy should be changed now and government sales abolished.[438]

This explanation gave up Wang Anshi's claim that the engrossing families were to blame for the vouchers' depreciation. It was therefore not necessary to build new bureaucracies to replace them as the main guarantors of steady prices, protectors of market order, and operators of capital. Instead, the power of merchants and the coercive force of the central government rose to the same level of importance as those new bureaucracies.

The policy of 1077 was intended to satisfy the economic interests of both the Fiscal Commission in Shanxi and the Finance Commission at the central government. The agencies that Wang Anshi created had taken away the substantial profits that the circuit Fiscal Commission had originally earned from taxation and governmental sale of salt. Although in 1075, the court ordered those new agencies to share part of the

[438] SS v181, 4420-21

profits they would earn in 1076 with the local government, the circuit officials had no power to decide how much profit could be shared, nor could they receive the money until the end of 1077.[439] This would cause a great drop in local revenue.

Pi Gongbi, who represented the interests of Shanxi's local government, sought to invite big merchants back into the salt market. The prefectures that Pi suggested reverting to merchant sales included Tong, Hua, Jie, Hezhong, and Shanfu, all of which belonged to the Yongxingjun circuit. The abolishment of the Xie Salt Sales Bureau's monopoly would increase the tax that the Fiscal Commissions in Shanxi collected from merchant sales. Only two months after the policy was implemented, the central authorities ordered that in these prefectures, the Xie Salt Sales Bureau return its salt to the circuit government. The Fiscal Commission and Xie Salt Commission would keep on selling the remaining salt until it sold out.[440] The local interests of Shanxi were therefore partly satisfied by this policy.

Although allowing merchant sales was one measure to resolve voucher depreciation, the Finance Commission could not completely accept Pi's scheme to restore the role of merchants. In Pi's original proposal, the districts allowing merchant sales would include all the prefectures in which the Salt Sales Bureau and State Trade Bureau had been monopolizing government sales. After reviewing this plan, the Finance Commission only allowed merchant sales in several prefectures.

The Finance Commission argued that Pi's plan would cause disorder in the salt market. According to its report, if the government retreated from the prefectures of

[439] SHY shihuo24/10

[440] SHY shihuo24/15

Chan, Pu, Ji, and Dan Cao, there would be no governmental force to regulate the illegal transportation and sale of powdered salt from other places. Moreover, although the central government admitted merchant sales in some prefectures, it also emphasized that this policy was temporary; the central government would compare the profits earned from selling salt vouchers with those from the government monopoly, and decide on a future policy.[441] Moreover, just two months after the policy was promulgated, the central court ordered the State Trade Bureau to monopolize the sale of salt in the capital.[442] The policy not only allowed the Salt Sales Agency to keep its monopoly of sales in the prefectures such as Chan, Pu, Ji, Shan, and Cao. it also allow the State Trade Bureau and the Xie Salt Sales Bureau to use salt vouchers although it reduced the space for them to earn profits.

The central leaders also adopted a radical view from the Finance Commission, that it should give up its original plan of coordinating market actors and stimulating demand and supply based on the real needs of those actors. As the Finance Commission suggested,

> "Old vouchers, collected and stamped, as well as old salt that has already been distributed among merchants must follow the rule of additional payment: the government should buy up all old vouchers and merchants must report their sales of already distributed salt by a deadline. [At that point], a new price [for salt vouchers] should be reckoned, the number of salt mats stamped and a counterfoil given. Under the old policy, a voucher for one mat of eastern or southern salt cost 3500 cash; a voucher for one mat of western salt ran 1,000 less than that. The government should buy up these vouchers completely. But first they must be checked and recorded by proper officials at Xie prefecture's saltern, and then the merchants can proceed to sell. For salt that has already been requested, a deadline will be set according to the merchants' desired destination. For eastern and

[441] SHY shihuo24/15

[442] SHY shihuo24/15

southern salt, add 2500 cash per mat [worth of vouchers], while for western salt, add 3,000 cash per mat [worth of vouchers, for changing old licenses to new]. The license must be exchanged by the deadline. Government sales in the two regions [of Qinfeng and Yongxingjun circuits] must be abolished. The Xie Salt Sales Bureau should also pay the additional payment as the merchants would do]. These additional payments will be used to purchase old vouchers. … The merchants and the Xie Salt Sales Bureau should report their mats of salt within ten days. After reporting their mats, they shall pay those additional payments in cash. They will get one new license for each voucher with the new stamps on it…." [443]

As the above material illustrates, in order to satisfy the concern of the Finance Commission, the 1077 policy allowed the Finance Commission to turn to coercion to call back all the salt vouchers. As Shen Kuo suggested, the state should close the salt ponds, forbidding merchants from using any vouchers to get salt. This policy motivated the merchants to rush to the State Trade Bureau to convert their salt vouchers into cash, even the government only promised to buy them at the depreciated market price. Such market activities further motivated the Finance Commission to adopt more radical measure to call back the remaining salt vouchers.

In the fourth month of 1077, only two months after the new policy was promulgated, the central government already found it impossible to buy up all the vouchers even at the depreciated price. The deficiency of cash became serious. The central government therefore had to give up using cash to repay local debts. Instead, it only employed cash to pay thirty percent of the value for each old voucher. The central state used new salt vouchers to pay the remaining value, based on the face value of these new vouchers. The price of the old vouchers therefore increased and the number of the salt vouchers held by merchants decreased because of the state's

[443] SS v134,4421

command.[444]

Moreover, the policy also manipulated the existing institutions to force merchants to compensate the central state for its loss in selling the depreciated vouchers. The Northern Song regulations on salt sales required that each salt voucher be connected with one license, without which it could not be sold. After the merchant obtained salt with a voucher, he would take the salt and the license to an area where merchant sales were permitted.[445] After arrival, merchants would show the license to the local government and get a sales permit issued by the prefecture government. Then they submitted their license to the prefectural government and finished the registration process. Therefore, even if the merchant had obtained salt by using a voucher, he still could not sell that salt without a license. As the quoted document illustrates, the 1077 policy required merchants who had already purchased salt to pay an extra fee for changing to a new license, lest they lose the privilege of selling their salt.

Increasing local debts forced the Finance Commission and central policy makers to rely on such mandatory measures to reduce the central government's repayment burden. Through forcing merchants to pay an extra fee for salt and salt vouchers, the central government gained the hard cash needed for obtaining war materiel and repaying local debt. Although it claimed the same goal as had the New Policy leaders, the 1077 policy abandoned the effort to adjust prices through state manipulation of supply and demand. In contrast, the central authorities relied on mandates to obtain

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[444] SHY shihuo24/15

[445] For discussion on the relationship between pond salt vouchers and licenses, see Guo Zhengzhong, Songdai yanye jingji,,949-51

cash directly.

The central policy makers in 1077 also took power away from the State Trade Bureau and Xie Salt Sales Bureau, both of which were now treated by the central government on the same level as common merchants, required to pay an extra fee for new permits. The policy makers no longer followed the Regulation for the State Trade Bureau in delegating to these agencies the power to set prices. Instead, the Finance Commission centralized the power to set the price of salt vouchers. According to Shen Kuo, after paying extra fees and getting new licenses, the profit that either governmental agencies or merchants could expect was constrained to 500 wen, and the price for each mat of salt was fixed at 6000 wen.[446]

On the other hand, the 1076 policy did not prohibit the market activities of the State Trade Bureau or the Xie Salt Sales Bureau, although the cost of such activities greatly increased due to the Finance Commission's collection of extra fees. In the third month of 1077, the policy makers declared that the State Trade Bureau should continue selling salt after paying the extra fee, although it could not get the privilege of a monopoly.[447] The State Trade Bureau's participation in the salt market continued throughout the entire Yuanfeng period.[448] However, by 1082 the Emperor had publicly renounced the New Policy makers' promise to regulate market prices via the

[446] XCB v280 ,6870

[447] XCB v281,6884

[448] XCB v393, 9582

State Trade Bureau.[449] The State Trade Bureau's intervention into the salt voucher market only served the purpose of earning profit.

The Xie Salt Sales Bureau still monopolized the pond salt trade in prefectures neighboring the production areas of powdered salt, because the central leaders worried that the retreat of government regulation in those areas would encourage illegal salt trade.[450] In order to avoid influencing the price of salt vouchers, the central leaders no longer allowed the Xie Salt Sales Bureau to use pond salt vouchers to exchange salt. They still encouraged the agency to sell ten thousand mats of salt per year because the central government needed hard cash for its military expenditures.[451]

More importantly, great number of salt vouchers was still controlled by various governmental agencies that still actively participated in the salt voucher market. As we have discussed, the State Trade Bureau received 5,000,000 strings of hard cash from the central authorities. The bureau exchanged 4,500,000 strings with Shanxi's circuit government for salt vouchers. In the following three years, the bureau issued this large amount of vouchers to merchants on credit, collecting 350,000 strings of cash as interest. In the report that the bureau sent to the central authorities, the bureau asked that it be allowed continue its activity in the financial market for the next ten years, guaranteeing to submit substantial interest to the central government. The policy makers acceded to this request and emphasized that all the interest earned from

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[449] XCB v328 ,7890

[450] XCB v281,6881

[451] SHY shihuo 24/17;24/19

the salt voucher market should be freely used by the court.[452] In the fourth year of the Yuanfeng period (1081) the court further required that the mortgages that common people prepared to apply for credit from the bureau include salt vouchers. This policy further increased the number of salt vouchers that the State Trade Bureau received from its intervention into the financial market.[453]

After 1077, the central court adopted a policy aimed at shifting the distribution of pond salt vouchers from Shanxi's Fiscal Commissions to other agencies. For example, in 1079 the central government required the Xihe Regional Frontier Defense Financing Office 經制熙河路邊防財利司 to buy the whole year's quota of salt vouchers from Shanxi's Fiscal Commission. It also required the Intendant to use those vouchers in trade with merchants.[454] The Defense Financing Office had by 1081 bypassed other bureaucracies in Shanxi as the major user of the salt vouchers in purchase of grain and fodder from Tibetan merchants.[455]

The Finance Commission's policy that forced holders of salt vouchers to buy the salt vouchers at a higher price increased the cost of trade in salt vouchers. Shen Kuo planned to fix the voucher's price at its face value. In real market operations, however, the government and non-government voucher holders increased the price of the vouchers beyond their face value. By doing that, they kept their profit and shifted their losses to the buyers of the vouchers. It was common during this period for these

[452] SHY shihuo 37/25

[453] SHY shihuo 37/31

[454] SHY shihuo 24/18

[455] SHY zhiguan 43/56

agencies to sell or credit the salt vouchers with prices higher than their face value.[456] The Finance Commission however tended to keep tightening the supply of salt vouchers. Although the 1077 policy set a quota for each year's supply, the Finance Commission delayed the supply even when the salt voucher price was experiencing great appreciation. The merchants saw an opportunity. They hoarded vouchers, causing them to appreciate in the first to third years of the Yuanfeng period (1078-1080).[457]

The central court did not take this problem seriously because it believed that the appreciation could reduce the burden of the central government in repaying local debt and increase the government's capacity in purchasing grain and fodder.[458] The local government in Shanxi did, however, feel the pressure caused by the tightening of the supply of vouchers. In the second month of 1079, Shanxi's circuit Fiscal Commissioner Li Ji complained to the central authorities that the Finance Commission should give local government more vouchers to adjust their overly-high price. Although the central court criticized the conservative attitude of the Finance Commission in issuing salt vouchers, it did not increase the quota for local government.[459] The appreciation did not become a serious concern of the central leadership until the Yuanyou and Shaosheng periods of Zhezong's reign, at which point this appreciation caused the inflation of iron cash in Shanxi region. It did not

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[456] XCB v511 ,12183

[457] SHY shihuo 24/18-19

[458] SHY shihuo 24/17

[459] SHY shihuo 24/18-19

cause this problem in the Yuanfeng period because the Sino-Tangut war broke out in the fourth year of that era (1081). The pond salt vouchers depreciated again during and after the war.

The salt voucher market after 1077 witnessed disorderly competition between governmental agencies and merchants, intentional inaction by regulative bureaus and the central court, and collusion between Shanxi's circuit bureaucrats and big merchants. The central court did not adopt any policies to address these problems but only sought to guarantee its revenues to prepare for warfare. The intended image of a unified state that operated through efficient cooperation between bureaucracies and broad coordination with the great majority of market actors melted away in the course of the actual process of state intervention. By contrast, the bureaucracies and central court that pursued their interests through despotic measures emerged as the distinctive features of state intervention. All these problems had gone beyond the imagination of the New Policy makers, who could do little to accomplish their original plans.

Explanation

In this case, the central leaders dealt with the conflicts between government agencies in a way differing greatly from the mechanism by which political elites in the central government resolved their conflicts. Unification of policy through expulsion of opponents from the central court did not occur in this case. Instead, the central leaders did not intervene in the clash of opposing views and interests between leaders of the various agencies.

The way in which the emperor treated their opinions showed the limited capacity

of the New Policy makers' worldview to regulate change. As we have discussed, the price of pond salt vouchers was influenced by complicated factors in the financial market. The New Policy makers however took government agencies to be the only reliable forces to regulate prices. They therefore gave the bureaucracies the privilege of handling the salt vouchers in the financial market. However, the relevant bureaucrats lacked the skill to handle the changing market situation through deliberation with the major market actors. They possessed no knowledge to regulate price depending on demand and supply. No measures were crafted to regulate the market activities of such bureaucrats or to resolve the difficulties they encountered. In order to increase revenue, the members of these bureaucracies destroyed the price-deliberation mechanism in order to pursue their own interests. The depreciation of salt vouchers could not be prevented by those bureaucracies under such conditions.

The failure led the central leaders to seek new measures. The expansion of new bureaucracies provoked opposition from other agencies. The leaders of the older agencies harshly criticized the policies, which in their eyes had given many benefits to the State Trade Bureau and Xie Salt Sales Bureau but still failed to stop depreciation. The original organizing mechanism that coordinated various bureaucracies faced the danger of collapse, and the New Policy makers could not prevent it. When facing opposition, their worldview guided them to first judge the personalities and factional alliances of the critics. As we have discussed in Part Two, if the policy makers thought their critics had deficiencies in these respects, they would punish them. If they thought that the critics misunderstood the intentions of the emperor, the policy makers

would use different ways to guide them to follow such intentions, such as clarifying goals or creating material incentives to guide them. Shen Kuo, Pi Gongbi and leaders of the State Trade Bureau and the Xie Salt Sales Bureau did not make any mistakes from this perspective. As bureaucrats who focused on concrete policy issues, Pi Gongbi and Shen Kuo had little interest in attacking the worldview of the New Policy makers. Neither did the issue of factions appear in their discourse. Moreover, Shen Kuo and Xie Jingwen, the leader of the Xie Salt Sales Bureau were even taken by some as followers of Wang Anshi. The emperor did not take their opinion as betraying his intention.

Based on the worldview of the New Policies makers, they should be granted autonomy to decide their policies. In other words, this worldview did not provide any practical measures for organizing these opinions into an autonomous preference legitimized by the state. The leadership lacked knowledge of how to build an autonomous authority to organize these bureaucracies, transcend their competing interests and make them collectively follow the intentions of the central leaders. The central leaders therefore found no practical way to translate them into the organized policy preference but only passively reflected their demands. Such a combination also meant the central leaders gave up the duty to regulate those bureaucracies to adjust salt voucher prices by coordinating the interests of the majority market actors. The worldview of the New Policies makers prevented them from understanding how to deal with dissenting opinions and the competing interests of various bureaucracies.

In the next chapter, we will show how the depreciation resulted in adjustments to the fiscal structure of Northern Song state and changes in the mode in which it intervened in the market. In short, the focus of policy makers after 1081 shifted from adjusting the salt voucher's price in Shanxi to the nation-wide direct predation of hard cash. The government monopoly of salt and tea sales spread throughout the country during the last five years of the Yuanfeng period (1081-1085). We will discuss the mechanisms and consequences of this mode, illuminating how the power of the state was manifested in the market.

CHAPTER FIVE

Regulation and Bureaucracy in the State Monopoly of Tea and Salt Markets (1080-1085)

The term "state monopoly" as used in this chapter refers to a distinctive mode of state intervention, one by which the circuit Fiscal Commission and other government agencies used their coercive power to monopolize the purchasing channels for tea and salt, and sold them directly to the common people or to merchants. Direct trade between merchants and producers was blocked by the government. One method that the personnel administration adopted to evaluate the efficiency of bureaucrats in such an arrangement was to calculate the profit (息)that the officials earned in selling these goods. Another method was to calculate the increase of revenue (課利), taking into account both investment (本)and profit (息).[460]

This sort of monopoly had appeared in the early Northern Song dynasty in the powdered salt market of some prefectures of circuits such as Fujian, Liangzhe, and Jiangxi. It flourished after the third year of the Yuanfeng period. Promoted by the central and circuit governments, this model spread into most of circuits of the country, including Hebei, Jingdong, Jingxi, Jinghunan, Jinghubei, Hedong, Huainan, Jiangnanxi, Jiangnandong, Guangnanxi, Guangdong, and Huainan. The Tea Agency

[460] For a clear definition of keli in the Tea and Salt Industries, see XCB v341 P8201. Paul Smith has also noticed and correctly interpreted this material. His translation of keli however is "gross profit," as a term different from "net profit." Other scholars like Li Huarui also equate keli to the profits of the wine industry. The material in XCB however shows that keli includes both investment and profit. See Paul Smith, Taxing Heaven's Storehouse, P180. Li Huarui 李華瑞, Songdai jiude shengchan yu zhengque 宋代酒的生產與征榷 (Hebei: Hebeidaxue chubanshe 1995), 220

established a similar model in the circuits of Sichuan.

This model differed from the monopoly conducted by the Xie Salt Sales Bureau and State Trade Bureau. Although the latter was also called "que mai (榷賣)" by contemporaries, this model did not require salt or tea vouchers to obtain those commodities Instead, the government that operated the monopoly directly pursued cash. Moreover, a monopoly in this sense does not mean the absolute exclusion of commercial forces from the salt and tea market. The state allowed them to enter as retailers. They could either contract for the salt-selling right (買撲) by paying the government a certain quota, or could irregularly buy salt or tea from the government to sell.

In this chapter, we discuss the causes for the prevalence of the state monopoly during the Yuanfeng period. We also focus on the relationship between the central authorities, bureaucracies and other social forces in the interactive mechanism created by this mode. I explain why the New Policies makers failed to achieve their purposes to organize and protect small market actors to increase the social productivity. In my argument, such failure is caused by the limits of their worldview in explaining and resolving the real policy deviations.

Changes in Fiscal Structure during the Yuanfeng Period and the Promotion of State Monopolies in the Salt and Tea Industries

The main motivation for the promotion of state monopolies lay in changes to policy goals and the new fiscal structure that the central court established for

supporting these goals. During the Yuanfeng period, Emperor Shenzong had focused on two issues: supporting warfare against the Tangut state and preparing for warfare against the Khitan state. Directed by these goals, the central leaders rearranged the overall fiscal structure to create new revenues and allow the central court to channel these fiscal resources into support of the military effort. The central government encouraged local governments to increase their fiscal capacity. More importantly, Emperor Shenzong strengthened the court's capacity to control the new resources, which were controlled and allocated by the central court depending on the leadership's strategic considerations of national security.

The new fiscal resources first included the surplus fees that governmental agencies earned through New Policies such as the rural credit service exemption, winery and ferry franchise funds, and state trade policies. In 1082, Emperor Shenzong established the Yuanfeng Treasury in Hebei circuit, on the military frontier between the Song and Khitan states. The central court required the circuits of Jingdong, Huainan, Liangzhe, Jinghunan, Jinghubei and Fujian to turn over the revenues earned by government credit institutions. Those revenues were reserved in the Yuanfeng national treasury and only the central court could allocate them to local governments in case of emergency.461 In 1082, the central court ordered that the State Trade Bureau, the Court of Agricultural Supervision, and the Bureau for Land and Water Conservancy deliver the grain and fodder to the Government Purchase Bureau in

[461] XCB v310 ,7957; Huang Chunyan 黄純艷, Songdai caizhengshi 宋代財政史(Kunming: yunnan daxue chubanshe 2014), 73

Hebei as fiscal resources for supporting future warfare with the Khitan Liao.[462] These agencies were created during the New Policies period and their revenues were generated by the New Policies.

Another set of resources was generated by state monopolies in the salt and tea industries. The pursuit of these revenues caused a wave of state monopolization in these industries during the Yuanfeng period. This wave was collectively promoted by Emperor Shenzong, the Grand Counselor, the Finance Commission (renamed the Ministry of Revenue after 1082), and the local governments at the circuit level including the Sichuan Tea Agency, the Fiscal Commissions of the Jingdong, Jingxi, Hebei, Jiangxi, Guangnandong, Fujian, and Jinghunan circuits, and the Government Purchase Bureau in Hebei. During the Yuanfeng period, under the promotion of the central court, several policies related to the tea and salt monopolies were promulgated.

First, in 1081, Vice Fiscal Commissioner Jian Zhoufu led the Salt Bureaus in Jiangxi and Guangdong to cooperate in monopolizing the sale of Guangdong salt in the Southern Jiangnanxi circuit. This model of selling soon spread to the Jinghunan circuit in 1084. The earnings were allocated by central court to the Government Purchase Bureau in Hebei as the main fiscal resources for preparing war materiel.

Second, in 1083 the Supply Commission promulgated regulations for the reward and punishment of officials and clerks in the salt monopolies. The salt monopolies in the eight southern circuits had been collectively managed by the trans-regional bureaucracy Supply Commission and the Judicial Commission of each circuit since

[462] XCB v311 ,7749

the fourth year of the Xining period. The central court further extended the rules developed by the Supply Commission into other salt monopolies throughout the country. The profit from these monopolies, called "powdered salt revenue," was frequently allocated to the Shanxi and Hedong circuits for military use.

Third, since 1080, the salt monopolies had been promoted in the Jingdong circuit by the Fiscal Commissioner Li Cha and his successor Wu Juhou. In 1083, Emperor Shenzong cited Wu Juhou as an example for other circuits to emulate in gaining support for spreading state monopolies. The operational model in Jingdong circuit's state monopolies was further spread into the Hebei and Jingxi circuits in 1083. The earnings were not only used to support the local expenditure of the circuits; the central court also used the revenue to support costs related to local horse purchase policies and the military training of members of the mutual security institutions.

Fourth, in the circuits of Sichuan, the Sichuan Tea Agencies had monopolized the purchase of tea since 1076. Merchants were forbidden to directly trade with tea producers. After buying the tea, the Tea Agency sold it to the merchants to be sold in designated regions in both Sichuan and Shanxi. Meanwhile, in other Shanxi prefectures the Tea Agency monopolized tea sales. In these prefectures, the agency earned horses and cash through trading with both local and Tibetan merchants. Those revenues were specifically used to support the Xihe Regional Frontier Defense Financing Office, which was responsible for preparing for Song-Tangut warfare. The Tea Agency established regulations for punishing and awarding its officials and clerks. Its business scope also extended into other fields, such as salt sales and agricultural

credit.

Lastly, in 1084 the central court allowed Wang Zijing, the Fiscal Commissioner of Fujian, to monopolize the purchase of the tea in Jian Prefecture. The government also monopolized the sales of the Jianzhou tea in the circuits of Fujian, Liangzhe, Jiangnandong, Jiangnanxi and Guangdong. The profit was controlled by the central court and was used to support the preparation of war materiel in Hebei and Shanxi circuits.

This nation-wide wave of state monopolization brought the central court more cash resources to resolve the fiscal problems in Shanxi. It no longer relied on salt vouchers as the major instrument for conducting purchases. Even though the depreciation of salt vouchers became serious after 1081, the central court could find more flexible measures to resolve the problem.

In the fourth and fifth years of the Yuanfeng period (1081-1082), Emperor Shenzong ordered the Song military forces to battle the neighboring Tangut state. In the sixth month of 1081, Song combat troops of about three hundred and seventy thousand men, supported by about the same number of transport troops, arrayed to converge on the Tangut capital from the south, southeast and southwest. The first campaign ended in the eleventh month of the same year. After a short interval in the winter, war broke out again in the spring of 1082 and ended with the defeat of the Song.[463]

During the war, the central government loosened its tight control over the

[463] See Paul Smith, "Shen-Tsung's Reign and the New Policies of Wang Anshi," Cambridge History of China v5 ,477

issuance of salt vouchers. In 1082, it issued an extra 200,0000 strings of pond salt vouchers and allocated them to Shanxi for buying grain and fodder. The sudden need to print vouchers even caused a shortage of paper.[464] All these activities stimulated the circuit Fiscal Commission and other government agencies in Shanxi to depreciate the vouchers. This activity continued even after the war because of post-war financial crises.[465] This depreciation was repeatedly mentioned by both the Xie Salt Bureau and the Ministry of Revenue, which replaced the Finance Commission as the main department of the central government for making policies related to the salt vouchers. The central court worried that the depreciation of salt vouchers would result in their rejection by society. If the local government could not buy grain with the salt vouchers, this would intensify the government's money shortage. As the Ministry of Revenue reported in the eighth month of 1082,

> Recently, we have issued too many pond salt vouchers. The vouchers have depreciated and are hard to use to buy materials. According to the original plan, we should have issued 2000,000 strings of vouchers for buying war materiel. Now we have to reduce the number according to the number of vouchers that each circuit has already got. The total amount of reduction is 1000,000 strings. As a replacement for the salt vouchers, we are transferring the cash earned from selling powdered salt to Shanxi, distributing it to each circuit. The circuit governments should use this money to buy grain and fodder from the merchants.[466]

Nevertheless, we have little evidence of significant discussions about how to resolve the depreciation in the Yuanfeng period, in contrast to the frequent debates and systematic schemes that addressed this issue before the tenth year of the Xining

[464] XCB v325 ,7823

[465] XCB v389 ,9452

[466] SHY shihuo24/22

period. This suggests that the central government gave up its effort to adjust the price of vouchers. Increasing fiscal pressure and the impotence of the central government to control local debts forced the construction of a new fiscal system after the war.

Emperor Shenzong clarified his scheme for resolving the fiscal difficulties of Shanxi in 1082.

> The Secretariat-Chancellery reported that the military conflict on Shanxi's frontier has not ceased. It also requested the allocation of a wide range of military materiel Emperor Shenzong replied, "The Qin state (770B.C-207B.C) occupied the Guanzhong area in Shanxi. It only relied on its own region, but still could unify the world. The world we are ruling now is ten times larger than the Qin. We can transfer the revenue from the Eastern and Southern circuits [Huainan, Liangzhe, Jiangnandong, Jiangnanxi, Jinghunan and Jinghubei] to support Shanxi. We can also get excellent generals to train troops. [By doing this], we can accomplish any goal [in Shanxi].[467]

The basic idea was to resolve Shanxi's problems by situating it within a larger fiscal framework. Within such a framework, the central court strictly constrained the total number of salt vouchers to be used by local governments in Shanxi so that local debts would not increase even if the salt vouchers depreciated. Meanwhile, the central court covered the fiscal deficiencies caused by depreciation by allocating cash resources to local governments.

Based on such an overall arrangement, the central government redefined its fiscal relationship with Shanxi. On the one hand, the central government clarified the quota of the yearly routine expenditure (年計)for Shanxi's Fiscal Commissions. The expenditure mainly supported the garrisons within the Shanxi region. The central

[467] XCB v326 ,7839

government allowed the Fiscal Commission to manage the funds that were originally controlled by other local bureaucracies, so that its revenue could be enlarged. At the same time, the central government required the Fiscal Commission to take full responsibility for these routine expenditures. No funds from the central authorities would be transferred to cover them.[468]

On the other hand, the central government promised to take responsibility for contingent expenditures in Shanxi such as the cost of adding new garrisons and paying for disaster relief. The above quoted material also shows that if necessary, the central government would allocate money to the circuits for resolving other unexpected financial crises. Iron and copper cash were the main forms of money used by the central government; part of this cash come from the "powdered salt cash 末鹽錢" collected through the government sale of powdered salt.

A search of the electronic version of the Long Draft of the Continuation of the Comprehensive Mirror to Aid in Government (Xu zizhi tongjian changbian) shows that the allocation of money earned by powdered salt to the border areas for preparing for war with the Tangut was much more frequent during the Yuanfeng period than it had been in previously.[469] Before the Yuanfeng period, there was no record of any such allocation having occurred.

Another source of iron and copper cash was the revenue earned by the Tea Agency in Sichuan. This cash was used mainly to offset military expenditures in the Xi and He Prefectures that could not be covered by the Xihe Regional Frontier Defense

[468] XCB v299 ,7274; v342 ,8219-20; v364 ,8315;v310 ,7518

[469] For example, XCB v292,P7131;v313 ,7140; v300 ,7300; v329 ,7915; v335 ,8070

Financing Office.[470] The central court also allocated this part of its revenue to Shanxi's local governments for buying grain and fodder during the Yuanfeng period.[471]

The nation-wide promotion of state monopolies after 1080 can be regarded as one outcome of the central court's rearrangement of the fiscal system in the Yuanfeng period. The new fiscal structure changed the measures by which the government purchased war materials in Shanxi. Through building more monopolies and increasing their revenues, the central court turned to reliance on iron and copper cash as the main currencies for purchase of war materials, rather than salt vouchers. Previously, the central court allowed Shanxi's local governments to issue salt vouchers to borrow money from the public. As the main debtor taking responsibility for repaying these huge amounts of debt with either cash or salt, the central court was mainly concerned with how to regulate the over-issuance of the vouchers in order to prevent depreciation. In the new mechanism, the central court earned revenues from the state monopolies and re-allocated those resources to local governments. The issue of how to strengthen the monopolies' organizational capacity to gain cash therefore attracted great attention among central policy makers.

2. New Policy Perspectives on Market Organization during the Xining Period

A great proportion of the New Policy makers' intellectual framework focused on

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[470] SHY shihou 64/70; Su Zhe 蘇轍, "Lun shucha wuhai zhuang 論蜀茶五害狀", Luanchengji 欒城集, v36 (Shanghai: Shanghaibuji chubanshe,2004), 786; XCB v279 ,6848; v306 ,74390

[471] SHY shihuo 39/30; 39/32

how to organize producers, clerks and bureaucrats in the state monopolies in a way that could stimulate their enthusiasm for producing and selling salt and tea, strengthening their capacity to gain revenue on the market and protecting small market actors. From such a perspective, the state could increase its revenue not just through regulating the financial market but by building state-owned production and sale organizations. The focus therefore shifted from manipulating supply and demand in the micro-economic market environment to building the organizational structure of state monopolies, such as their personnel administration, revenue quotas, reward and punishment regulations, administrative hierarchies and decision-making mechanisms. This new perspective differed from the former one to the extent that it believed that the main factor determining the advantage of the state in its market participation was its capacity to organize state-owned enterprises.

In this section I argue the New Policy makers were not only concerned with designing concrete policies for the economic development of state monopolies, they were concerned with the implementation of those policies. Based on their understanding of human nature, they tended to build institutional contexts to discipline people's minds, believing this to be the only way to achieve their policy purposes. The fundamental goal for building such institutions was to shape both the creativity and conformity of the policy implementers.

Scholars like Paul Smith have noticed and defined "bureaucratic entrepreneurship" as the key feature of the state monopolies created in accordance with the New Policy makers' ideas. The theory of bureaucratic entrepreneurship

emphasizes that the central court gave full autonomy and authority to its bureaucrats and created material incentives to encourage their innovation to deal with the changing market situation.[472]

This argument does not, however, give satisfactory interpretation to another important aspect of the New Policy makers' thought. As I have argued in Part One, Wang Anshi and the other New Policy makers faced a puzzling situation. They had to design the way of organizing people that could theoretically achieve two contradictory goals: on the one hand, to make the policy participants obey the rules of the central leaders, and on the other hand, to promote the innovative capacity of these participants so that they could adjust the policy to make adaptive changes. In the view of the New Policy makers, it was important to guarantee that policy innovations did not lead to deviation from original intentions. By integrating the concepts of dao and yi into their logical framework, the New Policy makers proved in theory that there existed ways to resolve the puzzle.

As we have discussed in Part One, Wang Anshi categorized people into three types and designed their respective roles in the formal policy making procedure: 1) the Emperor, who fully comprehended the Sages' yi and had the authority to command all things, 2) the bureaucrats who had apprehended the intention of the Emperor, which was taken as no different from the yi or dao of the sages, and 3) those people who had not realized these intentions. The New Policy makers designed different lines of reasoning to shape the creativity and conformity of these people.

[472] See Paul Smith, Taxing Heaven's Store House, 118

The policy makers believed that although their policies differed from those made by the Former Kings, the yi (intention or conception) that guided these policies are consistent with that of the Former Kings.[473] Following such logic, they further argued that they should employ various measures to enable participants in the system to realize the policy maker's intention. The New Policy makers believed that human nature gave the participants the potential to apprehend and achieve this intention, innovating to deal with changes in the real situation. The policies they innovated might be changeable, but the yi that those polices conveyed should be consistent..

On the other hand, the New Policy makers also admitted that despite their effort to make bureaucrats apprehend the intention of the emperor, the majority of people could not recognize that intention. Therefore they needed to be led by superior men who apprehended the yi of the central leaders. Based on their understanding of the human nature, the New Polices makers thought that leaders could guide such people through offering them material incentives.

As the first chapter has illustrated, the New Policies makers practiced different schemes in order to achieve this goal. These schemes were based on the belief that the outcome of policy was determined by the ruler's capacity to discipline the policy implementer's mentality. From such a perspective, the operation of people's minds is understandable and the consequences predictable. If policy participants deviated from the intentions of the policy makers, they could correct such deviation through

[473] Wang Anshi, "Shan Renzong huangdi yanshi shu", 22

manipulating the incentives, rather than analyzing and solving the various causes of the deviation.

Moreover, the New Policy makers also designed and put into place a hierarchical system to deal with the changes that occurred in the policy implementation process. Within such a hierarchical decision-making system, the Emperor and Grand Councilor did not decide everything. Instead, they appointed the managers of state monopolies. These managers should be those bureaucrats who were perceived to have recognized the intentions of the central leaders. Proper appointment would determine policy outcome. As Wang Anshi emphasized, “I therefore say that if we get the right people to implement these new policies at the proper speed, then these policies would greatly benefit us. However, if we use the wrong people to practice these policies, then the policies will greatly damage us.”[474] Wang further clarified this point, arguing that "Only those who have apprehended the dao of [the Sages] in antiquity could implement the policies of antiquity. This is what I understand as the fundamental issue."[475]

As we will discuss, there were cases in which the central leaders received feedback showing that the operation of state monopolies at the grass-root level deviated from the original plan. In facing such problems, the central leaders chose to strengthen the autonomy of the managers if the Emperor thought they had grasped his intention. Those managers therefore considered how to prove that they had been following the Emperor's intention, because only by doing so could they gain more

[474] Cheng Yuanmin, Sanjing xinyijikao huipingxia, 216

[475] Cheng Yuanmin, Sanjing xinyijikao huipingxia, 215

benefits for their agencies. This led to cases where they were not responsive to concrete problems. Moreover, in cases where me managers made changes to the original policy, the central leaders would consider whether those mistakes had betrayed the leaders' intention. The leaders would forgive mistakes that they determined were caused by the manager's efforts to achieve the intention of the central leaders, even if those mistakes had betrayed specific rules.

The economic plan of the New Policy makers.

The plan for developing state monopolies developed from the core idea of increasing the production capacity of small producers by offering state protection, coordination, patronage and organization. Wang Anshi's economic ideas have been summarized in his famous saying, "Using the strength of all-under-heaven to generate the wealth of all-under-heaven; taking the wealth of all-under-heaven to support the cost of all-under-heaven."[476] Wang thought that the main obstacles to this were the big merchants who controlled vast resources and manipulated the market. They relied on their advantages in markets and production to satisfy their private interest in accumulating more resources. They controlled prices and labor forces. All their activities were seen as causing great harm to small producers, who could not get financial support and were stifled by the engrossing families.[477] Wang Anshi therefore held that the fundamental resolution of this problem was to have the state intervene in the markets to replace these big merchants, organizing and protecting the

[476] Wang Anshi, "Shan Renzong huangdi yanshi shu", Wang Jingong wenji qianzhushang, P42;Deng Guangming,鄧廣銘 Deng Guangming quanji 鄧廣銘全集(Hebei:Hebei jiaoyu chubanshe,2005) v1,82-83

[477] XCB v240 P5829

small producers, increasing their capacity to generate wealth, and increasing the state's revenues.

In such a system of governance, the state should fully consider the economic interests of the majority of market actors, and design policies to satisfy their interests.[478] The central leaders therefore sought to organize the Smallsalt producers into industrial units and to improve their working conditions. They forced producers to devote their attention to production by punishing illegal trade. They sought to increase the producers' capital through credit policies. They tried to protect the economic interests of producers by purchasing their products at a good price.[479]

As we have discussed, the New Policy makers had realized that deviations would appear in the implementation process. They designed measures and decision-making structures to correct such deviations. These designs were based on their views about dao, human nature and incentive. In the next section, we will discuss how those designs implemented in the real historical context, and their impact on the operation of state power in the market.

3. Innovation and Regulation of the State Monopolies (1078-1085)

As we have seen, after Wang Anshi resigned from the position of Grand Councilor in 1076, Emperor Shenzong and his bureaucrats collectively promoted the spread of

[478] For discussion of this thought of Wang Anshi, See James T. C Liu, Reform in Sung China: Wang An-shih and His New Policies (Harvard: Harvard University Press, 1959) ,56-57

[479] XCB v247 6026,5602, Guo Zhengzhong, Songdai yanye jingjishi, 768

state monopolies in the salt and tea industries during the Yuanfeng period. In this section, we focus on three state monopolies, the salt monopoly in Jiangxi which was created and managed by Jian Zhoufu in 1081; the salt monopoly in Jingdong which was managed by the circuit's Fiscal Commissioner Wu Juhou which Shenzong set as a model for other circuit governments from 1082-1085; and the Tea Market Agency that monopolized the tea market in Sichuan and Shanxi during the Yuanfeng period. Our study traces the historical mechanism by which the alliance between the Emperor and his bureaucrats developed. I argue that this alliance relied on the bureaucrats' successful winning of the Emperor's trust that they had grasped and carried out his intention in their efforts to wrestle with concrete problems. The Emperor's focus on guaranteeing that bureaucrats followed his intention actually limited his capacity to regulate in the face of problems caused by the state monopolies' intervention into the market. The consequence of this mechanism was a despotic method of state intervention, which protected the economic interests of state monopolies and big merchants at the expense of small producers and merchants.

The intentions of Wang Anshi and Emperor Shenzong in their promotion of state monopolies during the Xining period

State monopolization of the salt industry was not a new development. It had existed in the Liangzhe circuit since the early Northern Song dynasty. With the advocacy of Wang Anshi and his followers, Lu Bing reorganized the state monopolies from 1072 to 1075. This case therefore shows the actual practice of Wang Anshi's thought. Moreover, the response of Emperor Shenzong to the problems caused by the policy also illustrates that he took revenue increase as his priority, rather than

improvement of social productivity, even though he firmly believed that those two goals could be achieved together by practicing the designed regulative institutions. This tendency influenced the development trajectory of the state monopolies during the Yuanfeng period.

In the fifth year of the Xining period, the central court noticed that the local government in the Liangzhe circuit could hardly control the illegal trade between salt producers and merchants. The state therefore could not monopolize the purchase of salt and its revenue seriously declined. The central court appointed Lu Bing as the salt intendant in the Liangzhe circuit to resolve this problem. Lu Bing had been working as a subordinate of Wang Anshi in the office of the Grand Councilor. He therefore was very clear about Wang's conception of the goals and organization of the state monopolies. Lu Bing implemented several policies to reorganize the monopoly, which reveal his attitudes towards illegal salt traders, small salt producers and officials. Previously, the small producers in this area did not receive enough funds from local government to conduct salt production. Therefore their productivity was low and the government could not collect enough revenue. Lu Bing paid great attention to this problem. He raised sufficient funds with the help of the Supply Commission and paid the producers well so that they had enough capital to improve their productivity. Lu Bing also investigated the geographical conditions of various production areas. Depending on their differences, he set different taxation standards.[480] Lu Bing also instituted severe penalties for illegal salt traders. Learning from the Mutual Guarantee

[480] XCB v230 ,5602

institution, he ordered producers to supervise each other's daily activities. The government also strictly calculated output figures. Lu even conscripted soldiers to arrest illegal traders.[481] He noticed that the local prefecture and county officials did not agree with the policy and were therefore lax in punishing illegal salt trade. He therefore imprisoned one hundred officials and eight hundred clerks in a single day. He required that the officials in the salterns report their revenues every ten days. He even ordered that they increase their revenue month by month.[482]

Lu Bing's measures raised serious disagreement in the central court. Critics worried that he had too strictly punished illegal traders and officials. Wang Anshi and Emperor Shenozong however strongly supported Lu Bing, although they saw his merits differently. In Wang Anshi's view, Lu Bing's policy would greatly improve the productivity not only of the salt industry but also of agriculture. According to Wang Anshi, although the penalties were severe, they were clear and had sufficient deterrent effect to make the common people return to their original agricultural work rather than dabble in the illegal salt trade.[483] These policies would therefore strengthen the capacity of society to generate wealth.[484] The state's revenue could in turn increase due to the improvement of productivity.[485] Meanwhile, Wang Anshi took reward and punishment as the main ways to mobilize bureaucrats and guarantee sufficient

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[481] XCB v247 ,6026

[482] XCB v256 ,6264-65

[483] XCB v233 ,5665

[484] XCB v232 ,5627

[485] XCB v247 ,6027

revenue collection. Thus he supported the severe punishment that Lu Bing employed to motivate local officials.[486]

Although Shenzong did not oppose the concrete methods that Wang Anshi designed, he did not take those measures to be fundamental in achieving the desired goal of increasing the revenue from the salt monopoly in the Liangzhe circuit. His major concern was how to make the bureaucrats apprehend this intention, stimulating their willingness and creativity to help the state monopolies flexibly respond to market changes. The way in which he addressed Lu Bing's policy mistakes illustrates his priorities.

In 1074, the central court noticed radical actions by some local officials in their management of the state monopoly in the Liangzhe circuit, in response to Lu Bing's dramatic imprisonment of officials and clerks.. For example, one mother murdered her son because they could not submit sufficient salt revenue demanded by local officials. Wang Anshi had resigned from his position at court during this period. After receiving a report on the investigation of such problems, Emperor Shenzong and Lü Huiqing discussed their dilemma. Lü Huiqing suggested to Emperor Shenzong that the court should not punish Lu Bing even though he had made serious mistakes. Lu Bing had collected great amounts of revenue, fulfilling the intention of the central leaders. If the court punished him, then other bureaucrats would guess that the intentions of the Emperor had changed. If they misunderstood the intention of the central court, they would not be willing to implement the policy. Emperor Shenzong

[486] XCB V246 ,6001

agreed with this suggestion.[487]

The Emperor's concern was not to strictly address all the mistakes of local bureaucrats, even when those mistakes had led policy implementation to deviate from the originally designed avenues. As we have discussed, the New Policy makers took the protection of small producers' interests as an important way to increase state revenue. Ironically, then, the actual implementation of policy had caused damage to the interests of small producers. However, Emperor Shenzong had clearly realized that he could not intercede in every affair, because local bureaucrats needed to create and adjust policies to deal with on-the-ground changes. Therefore, no fixed policy needed to be strictly insisted upon. Emperor Shenzong still believed that Wang Anshi's plan was correct, but he preferred to leave free space for bureaucrats to create concrete policies as long as they were able to correctly apprehend the intentions of the central leaders. This intention includes two parts: the priority on increasing revenue and the necessity to protect small market actors. He therefore tried every effort to make those bureaucrats apprehend his intention, with central leaders acting as regulators and educators helping local bureaucrats apprehend his intention. Although he showed his priority to the revenue collection, he believed that the bureaucrats could find the way to achieve the goal of protection as well if he had successfully made them apprehend his intention. In Emperor Shenzong's mind, only by doing this could he maintain a balance between the conformity and creativity of those bureaucrats.

[487] XCB v256, ,6265-67

The dynamics of policy innovation: State salt monopoly cases in the Yuanfeng period

The momentum of state monopolization in the salt and tea industries did not fade after Wang Anshi's resignation. The fundamental goal of this movement was to achieve the intention (yi) of Emperor Shenzong. As we have discussed, the intention of the Emperor was thought to represent the dao of the Former Kings in governing society and state, even though such intention was the outcome of Shenzong's practical considerations to resolve specific political and military problems. Based on such a belief, the New Policy makers used the scheme that had originally been designed for the attainment of the dao in governance to guide an approach through which they achieved the yi of the Emperor. The approach included how they made plans for state intervention, produced discourse to justify those plans, built an institutional structure to distribute power among bureaucracies, and found measures to adjust to policy deviations. The historical process by which they promoted the state salt monopolies therefore illustrates how the New Policy makers' worldview shaped their policy innovation mechanism. Within this mechanism, political trust based on shared commitment to the Emperor's intention (yi) shaped the interdependent relationship between Emperor Shenzong and the state monopoly managers.

Emperor Shenzong's intention was multifaceted. Apparently, his intention in crafting the policies related to state monopolies was to increase the state's revenue in support of its overall fiscal arrangement. However, historical evidence shows that his concerns were broader than the single goal of collecting revenues.

In expressing his concerns, Emperor Shenzong admitted that revenue collection was an important goal for the state monopolies, but he also showed a desire to address other concrete problems depending on various social and political contexts. Those problems included the protection of small producers, maintenance of market order, the central court's redistribution of fiscal resources among government agencies, and considerations of national security. He expected the bureaucrats to show their apprehension of those intentions, and wanted them to illustrate that their revenue collection would not damage other goals of the successful operation of state monopolies.

Furthermore, the Emperor's "intention" not only refers to the Emperor's mind, it also appeared in political discourse as a way to guide bureaucratic activities. The "intention of policy 法意" was a term that frequently appeared in the Emperor's discourse in edicts and government documents. Even without using the word yi, Emperor Shenzong also expressed what he intended to do in publicly promulgated documents and in his discussions with bureaucrats. The intention of policies therefore was not a tacit agreement between the Emperor and his intimate subordinates; such trust was not informal or secret. The Emperor publicly rewarded certain bureaucrats and set them as examples so as to motivate others to apprehend and follow his intentions. On the other hand, the Emperor had no measurable standard for judging whether a bureaucrat had grasped his intention. The personal relations between the Emperor and the officials, the Emperor's perception of the bureaucrat's activities, and their mutual communication all relied on the Emperor's judgment. Once the Emperor

identified a bureaucrat who had grasped his intention and showed strong willingness to implement it, he would chose to delegate powers of regulation and policy making to that bureaucrat.

Case one: Jian Zhoufu and Emperor Shenzong

Jian Zhoufu's fast promotion through the ranks of government benefited from his demonstration of understanding the Emperor's intentions. Before 1075, he had served as the Auxiliary Investigator of the Censorate, a low-ranking office at the central court but one that offered the opportunity to be noticed by the Emperor. Jian Zhoufu first got Shenzong's attention because of his successful handling of a legal case involving a eunuch who was in charge of the imperial seal.[488] In the first month of 1075, Jian further earned Shenzong's trust by investigating a treason case which was related to Wang Anshi, Lü Huiqing and members of the royal family.[489] In 1077, the Liao En rebellion broke out in Fujian. The central court thought the rebellion was caused by illegal salt trade in the Fujian circuit.[490] Emperor Shenzong sent Jian to take charge of the salt monopoly there and pacify the rebellion. [491]

The critics of state monopolies took this rebellion as a chance to suggest that the Emperor abolish the state monopolies and allow merchants to directly buy salt from Small producers.[492] Jian Zhoufu understood, however, that the Emperor wanted to

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[488] SSv329 ,10605

[489] XCB v259 ,6317

[490] XCB v284 ,6951

[491] XCB v290 ,7092

[492] XCB v284, ,6957

keep the salt monopolies. He therefore attributed the prevalence of the illegal salt trade not to the state's monopoly policies, but to the high price of salt set by the local prefectural government. He therefore strengthened the punishment for illegal trade in salt but did not cease government sales. Indeed, he suggested to the Emperor that the problem could only be resolved by enlarging the scope of government salt sales, by which he argued the government could help the common people get more salt. He also suggested prices by hiring more people to sell salt. All these suggestions were accepted by the central court.[493] In 1080, Emperor Shenzong publicly praised Jian Zhoufu for having accomplished two main works: increasing revenues from the salt monopolies, and pacifying the social and market order through forbidding the illegal trade of salt.[494] Jian Zhoufu illustrates that the priority to collect revenue and the goal to maintain market order could be achieved simultaneously. In facing the critiques that the state monopolies would only increase revenues at the cost of the interest of small market actors, Jian Zhoufu publicly verified that those two goals were not contradictory and could both be achieved during the successful operation of state monopolies. Jian's discourse resembled the intention of Emperor Shenzong. Emperor Shenzong's discourse also illustrated his belief that Jian Zhoufu had grasped his true intentions.

One important policy promulgated in 1080 was the establishment of state monopolies in Jiangxi circuit. In 1080, Jian Zhoufu was appointed as the Vice Commissioner of the Tax Bureau. Meanwhile, he was assigned the work of

[493] XCB v290 ,7092-93

[494] XCB v303 ,7388

purchasing grain and fodder in Hebei circuit, on the border area between the Song and Kihtan Liao states. In Emperor Shenzong's overall worldview, the Kihtan Liao were the main enemy. Although in 1080 his attention was still focused on confronting the Tangut state in Shanxi, he had already begun to make preparations for future warfare with the Liao. After appointing Jian Zhoufu as the main official charged with purchasing war materials in Hebei, Emperor Shenzong transfered more fiscal resources from other governmental agencies to Jian Zhoufu's agency.[495]

Soon after he got his new appointment, Jian Zhoufu proposed to the Emperor that the government sell salt in Jiangxi circuit. He was not the first to make this proposal, however. In the Xining period, former State Finance Commissioner Zhang Dun had asked the local officials of Jiangxi to make plans for transferring Guangdong salt into Hunan circuit. Zhang Dun had found no chance to send his plan to the Emperor, however, because the Emperor had rejected another plan for establishing a salt monopoly in Hebei in 1075.[496] In 1080, Zhang Dun has been promoted to be the Executive Official Participant in Determining Government Matters, removing him to the central court. Another official named Jia Dan then noticed Zhang Dun's original plan and suggested to the Emperor that it be tried first in Jiangxi circuit. Emperor Shenzong did not make a decision at that time, but delegated Jian Zhoufu to investigate the possibility of implementing this suggestion. Zhang Dun secretly sent

[495] XCB v311 ,7549

[496] XCB v265 , 6489-90

his original plan to Jian Zhoufu.[497]

The circuit government in Jiangxi had managed the salt monopoly since Renzong's period. The monopoly only bought local salt with low efficiency, however. Jian Zhoufu found that Emperor Shenzong had expressed his concern about that problem in 1070. In an edict, Shenzong pointed out that the goal for managing the state monopoly in Jiangxi was not only to increase its revenue but also to restore social stability, because illegal trade would cause great turmoil for local society. From this edict, Jian Zhoufu grasped the Emperor's intention. He therefore wrote a memorial to the Emperor arguing that the establishment of a new state monopoly in Jiangxi would mainly be for the purposes of maintaining the social order, increasing revenue and preparing for war with the Liao state. In the first memorial which he sent in 1081, he outlined how his plan would serve the Emperor's intention. As he stated,

> The transport routes to Qianzhou are dangerous and distant, so that little Huai salt arrives and the people must endure the lack of it. Guangdong salt is not available [through regular government distribution], so smuggling occurs openly. [Whereas] Huai salt is priced at nine cash per catty by officials, if Guang salt is shipped in, after expenses,its cost will still be one cash cheaper than the Huai salt price, the product better, and the transport routes safer. I petition to abolish the transport of Huai salt [to Qianzhou] and Nan'anjun, and divert the 6160,000 catties of Huai salt to Hongzhou, Jizhou, Junzhou, Yuanzhou, Fuzhou, Linjiangjun, Jianchangjun, and Xingguojun [prefectures are in Jiangxi circuit] so they can meet their old [government distribution] quota.[498]

Jian Zhoufu's memorial implied that the government's sale of salt would achieve the Emperor's dual intention of maintaining the social order and gaining revenue. The Emperor supported his suggestion and ordered him to make a more detailed law on

[497] XCB v370, 8963

[498] SS ,4418

building a state salt monopoly in Jiangxi. Jian Zhoufu first drew up the fundamental principles that would guide the concrete regulations. He stated that the intention was to eliminate evil and violent bandits while compensating for the shortage of salt.[499] Emperor Shenzong soon approved the regulations Jian compiled.

Soon after Jian Zhoufu submitted the memorial, he was appointed as the official in charge of the government purchase of grain in Hebei circuit. Shenzong clearly expressed that his intention was to prepare war materials in Hebei for future warfare with the Liao. Jian Zhoufu memorialized Shenzong to the effect that his state monopolies in Jiangxi had gained great revenue that could be directed to serve this intention.[500] With the advocacy of Shenzong and Jian Zhoufu, the salt monopoly model spread further into Hunan in 1083.

Nowhere in the entire process did Emperor Shenzong directly advise his officials how to build the concrete regulations related to the monopoly. With the permission of the central court, managers were empowered with the specifics of policy-making., Through their communication with the Emperor they repeatedly showed their understanding of his intentions. After Shenzong had realized that this innovation could attain his goals, he fully supported it. This process illustrates how political trust based on a common understanding of the Emperor's intentions generated and channeled innovation.

Case two: Emperor Shenzong and Wu Juhou (1081-1085)

The process of promoting state salt monopolies in the Jingdong, Jingxi and Hebei

[499] XCB v311, 7548

[500] XCB v328 ,7904

circuits also highlights the mechanism of cooperation between Emperor Shenzong and the state monopoly managers. In this case, we show how the interaction between Shenzong and the circuit level bureaucrats who took charge of the state salt monopolies mutually reinforced their intention to promote the state monopolies, which enlarged the state's control of local salt industries during the later years of the Yuanfeng period (1081-1085).

As early as 1075, the State Finance Commissioner Zhang Dun had already proposed monopolizing salt purchases and sales in Jingdong and Hebei circuits. This plan was not approved by central court, however, due to a critique by Wen Yanbo, the Manager of the Bureau of Military Affairs at the same organizational level as the Grand Councilors. Wen Yanbo delivered Su Shi's observations on the potential problems that would be caused by monopolization of the salt industry. The key point in Su Shi's argument was that the state could monopolize the industry, but it would fail in the market. According to Su Shi, because Hebei and Jingdong were located in a coastal area, the number of the households that had the ability to produce salt was large and the producers were dispersed. The cost of monopolizing purchases would be very high. Moreover, the government could not gain a price advantage in its competition with merchants to buy salt from small producers. Zhang Dun originally had planned to sell the salt at price low enough to dominate the market. Su Shi however argued that the local market in Jindong and Hebei was too limited to absorb the government's salt even if the government intended to sell the salt at a low price. Moreover, because the government could not earn much profit due to its low price,

the capital would be easily used up if sales were slow. The monopoly could not function.[501] Su Shi's suggestion had an impact on Shenzong's decision. He formally rejected Zhang Dun's suggestion in the following year.

The Song-Tangut war of 1081-1082 caused changes in the overall fiscal structure in the Song government. As we have discussed, Emperor Shenzong sought to strengthen the capacity of the Circuit Fiscal Commission to earn revenues to cover routine expenditures. The central court created new channels to gain more revenue, including the state monopoly in Jiangxi which raised money to support Hebei's war preparations. Emperor Shenzong hoped that other circuits like Jingdong, Jingxi and Shanxi could increase their own fiscal resources enough to cover their routine expenditures and, if possible, to contribute to the central court's fiscal needs.

Under such conditions, Wu Juhou came to Shenzong's notice as an example to motivate other circuit leaders. Wu Juhou served as a Prefectural Judge in the early years of the Xining period. His loyalty in implementing the New Policies led to quick promotion in the bureaucratic system.[502] In 1082, Wu was appointed Administrative Assistant of the Fiscal Commission in Jingdong circuit. Wu's performance in this post was controversial, however. He raised several million strings of cash for the circuit, but was found at fault in the loss of 3000 strings. The personnel agency suggested that the Emperor should punish him, but Shenzong had his own thoughts on this.

In his discussion with his Grand Councilors, Emperor Shenzong quoted the

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[501] Su Shi, "Shang Wenshizhong lun queyan shu 上文侍中論榷鹽書", Su Dongpo quanji xia 蘇東坡全集下 (Anhui: Huangshan shushe,1997) ,197

[502] SS v343 ,10921

"Eight Levers" chapter from the Rites of Zhou to illustrate his view that an Emperor should not be constrained by the regulations on punishment and reward. To the contrary, he should find the best way to make his bureaucrats follow the dao. In the case of Wu Juhou, Emperor Shenzong thought that he could be cited as an example to let other bureaucrats know the Emperor's intention that they take responsibility for raising revenue. Therefore Emperor Shenzong not only did not punish Wu Juhou, but actually promoted him to be the Fiscal Commissioner of Jingdong circuit.[503]

Meanwhile, Shenzong publicly punished the Fiscal Commissioner of Jingxi circuit and his assistant. According to his formal edict, the Emperor accused them of betraying the duty that the new fiscal arrangement had allocated to them, frequently asking for financial support from the central court to cover their expenditures. They were dismissed from their posts. Emperor Shenzong highlighted the contrast with Wu Juhou to show the central court's intention and motivate other bureaucrats. Only two months after issuing this edit, Shenzong promulgated two edicts rewarding Wu Juhou for his success at increasing revenue from the state salt monopoly. In the Emperor's public statement, he emphasized that the reward was for Wu's devotion to attaining the goals of central court by increasing revenue to support his circuit's expenditures. According to the edict, Wu Juhou had never requested money from the central court, therefore he should be rewarded and promoted.[504]

Wu Juhou was intent on showing the Emperor that the decision to promote state monopolies had been correct. Two months after the above edict was announced, Wu

[503] XCB v326,7849

[504] XCB v334, 8032

Juhou reported that he had increased revenue by more than 36,0000 strings by selling salt in Jingdong circuit.[505] This strengthened Emperor Shenzong's confidence that the salt monopoly could overcome the market difficulties that Su Shi had predicted. He therefore decided to spread the state monopoly into Hebei circuit, reversing his earlier decision. In the same month, he ordered the Fiscal Commissioners of Hebei circuit to meet Wu Juhou in person and learn how he managed the state monopoly.[506]

Throughout the later years of the Yuanfeng period, Wu Juhou continued to show that he had been closely following the Emperor's intention. Emperor Shenzong also continued to set him as sample and publicly praised his loyalty. In the ninth month of 1082, Shenzong ordered the Fiscal Commission in Jingdong circuit to contribute 17,2950 strings of cash to the purchase of horses in Hedong circuit. Wu Juhou quickly fulfilled the requirement.[507] In the same month, Shenzong issued an edict praising Wu Juhou for not only supporting the expenditures of his own circuit, but also helping the central court to deal with the contingent expense of buying horses. Wu Juhou's personal rank in the bureaucracy also rose.[508] In 1084, Shenzong issued an edict asking the Ministry of Revenue to summarize Wu Juhou's successful experiences and circulate the list to other circuits. In the edict, Emperor Shenzong praised Wu Juhou because he did not change the content of the existing laws and regulations but found proper ways to supervise his subordinates to implement them, greatly increasing

[505] XCB v335, 8061

[506] XCB v335 ,8082

[507] XCB v339 ,8160

[508] XCB v339 ,8160

revenues. Shenzong wanted Wu Juhou to report on how exactly he did this.

In a memorial that Wu Juhou submitted after receiving the Emperor's order, he emphasized that the New Policies had followed the dao of the Former Kings. He described the intention of the policies as "organizing people to manage wealth 聚人理財." This expression appeared in the Classics, such as the Book of Changes and Rites of Zhou. The New Policies makers such as Wang Anshi and Shenzong had repeatedly taken the "management of wealth 理財" as their intention in developing the New Policies. Wu Juhou argued that these policies were very concrete and complete, but, in the implementation process consequences had sometimes deviated from their original intention. Wu Juhou thought that this was because the head officials at the circuit level did not adopt correct ways to supervise the activities of their subordinates, lacking the foresight and experience to prevent such deviations in advance.[509] He therefore summarized his previous experience to suggest how such outcomes could be prevented.

Shenzong's strategy had greatly encouraged the circuit fiscal commissioners to enlarge the scope of state monopolies. During the last three years of the Yuanfeng period, the movement to build state monopolies in various industries spread throughout the whole country. In 1083, Jiang Zhiqi, the Supply Commissioner of the six circuits in the southeast, made laws to stimulate prefectural and county bureaucrats to increase revenue.[510] In 1083, the Fiscal Commissioner in Jingxi actively promoted the monopolization of the salt industry, which pained merchants

[509] XCB v344 ,8254-55

[510] XCB v337, 8116

greatly.[511] In the same year, the Fiscal Commissioner of Kuizhou circuit in Sichuan suggested that the central court enlarge the state monopoly into the local well salt industry.[512] Three months afterward, Emperor Shenzong adopted the suggestion of a Fiscal Commissioner in Fujian and monopolized the purchase and sale of camphorated tea in Fujian, Liangzhe, Jiangnandong and Jiangnanxi circuits. The monopoly of camphorated tea soon extended into all the circuits except the capital area and Shanxi.[513]

With Shenzong's encouragement, Wu Juhou extended the state monopolies into other fields such as the iron and wine industries.[514] He also minted a great amount of iron cash, which increased the depreciation of this currency.[515] In order to avoid the influence of inefficient salt sales on the monopoly's revenue, Wu Juhou consolidated the salt tax bureau into the Fiscal Commission.[516] The tax and revenue from other industries could thus be used to make up for shortages of revenue from the salt monopoly. Emperor Shenzong approved all those activities because in his mind these would strengthen the capacity of the Jingdong circuits to fulfill his goals..

The cases of Jian Zhoufu and Fu Juhou illustrate the dynamics through which the

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[511] XCB v346 ,8311

[512] XCB v347 ,8320-21

[513] XCB v349 ,8370; v351 ,8406

[514] XCB v339 ,8171 8160

[515] XCB v339 ,8161

[516] XCB v334 ,8032

New Policies were initiated and promoted in cooperation between Emperor and circuit leaders. Within this process, the Emperor expressed his intentions and the general principles for the concrete policies. The bureaucrats created policies to show that they had not only apprehended the intentions but also had the enthusiasm to implement them. Through the setting of examples and issuance of promotions and rewards, Emperor Shenzong mobilized the bureaucrats at the circuit level to innovate policies for achieving his overall goals of preparing for war, stabilizing the market an social order and rearranging the fiscal structure. As we have shown, the role of Emperor in this process was not despotic because he did not decide everything. Neither was the process controlled by the bureaucrats. Although they were encouraged to innovate policies, such innovation had to show their adherence to the Emperor's intention. The alliance between Emperor and the circuit leaders therefore formed based on their common understanding of the Emperor's intention. The formation of such alliances was shaped by their belief in the role of yi in reconciling the bureaucrat's conformity and creativity. In next section, we will see how the beliefs of the Emperor and circuit leaders shaped the ways in which they addressed deviations that emerged during the policy implementation process.

Regulation in the Case of the Tea Market Agency (1077-1085)

In this section, we discuss how the central court and the manager of the Tea Market Agency (TMA) interacted with each other to address problems occurring during the process of the agency's intervention into the tea industry. Based on this study, we will answer why certain measures were believed to be more adequate than

others for resolving real problems. We will further reveal how this ideology-oriented mode of regulation resulted in discrepancies between actual problems and the measures for resolving them, as well as the weak responsiveness of the regulators.

The riot in Pengkou Market

The TMA was created in 1074 for the purpose of buying tea in Sichuan to trade for horses with foreign merchants in the Xihe and Qinfeng circuits of the Shanxi area, the major staging ground for preparing for war with the Tangut.[517] In 1075, the TMA began to sell tea in those two circuits as directed by the State Finance Commissioner Zhang Dun and the Intendant of the agency, Li Qi. The 400,000 strings of its revenue were intended to support the purchase of grain and fodder in the Xihe circuit.[518] Due to the great cost of transportation, however, the TMA found it was difficult to collect as much as 400,000 strings of revenue. It therefore sought to enlarge its intervention into the tea markets of both Sichuan and Shanxi. The TMA imposed a monopsony (single-buyer) system onto every household of tea producers in Sichuan, forbidding their direct trade with merchants. The monopsony included not only the Mingshan tea that was previously collected for the horse trade and for selling in the Shanxi region, but also the regular tea that merchants within the Sichuan region had previously been allowed to sell.[519] The TMA ordered that all merchants buy tea from TMA-managed tea markets in different localities. After they had bought the tea and paid the tax, the local government supplied the merchants with licenses which allowed them to sell the

[517] SHY zhiguan 43/47

[518] SHY shihuo 30/13

[519] XCB v282 ,6913

tea in Sichuan and some designated areas of Shanxi.[520]

The monopsony system caused dissatisfaction among both the small producers and the local bureaucrats. This frustration broke out in a riot on the 13th day of the fifth month in 1077. The central court's reaction to the riot illustrates how the Emperor's views on shaping the collective action of bureaucrats influenced the way he interpreted and responded to this sudden event.

The causes of the Pengkou riot.

Lü Tao, the Prefect of Pengzhou who was the main official to investigate and deal with the riot, described its outbreak and explained its causes as follows:

> According to the two petitionary reports of the Pengkou Market Inspector, Executive Assistant of the Imperial Library Yin Gu, and the Registrar of Mengyang County and Assistant Tea Purchaser Xue Yi, on the seventeenth day of this month 60,000 catties of tea were purchased at 3,600 strings of cash (60 cash per catty). This payment exhausted all the tea-purchase capital and the profit [from previous sales]. Thereupon, on the eighteenth day, those clerks petitioned the prefecture office requiring that it transfer 6,000 strings in jiaozi notes to finance the tea purchase [scheduled for] the nineteenth and twenty-first days. On the nineteenth day, just at dawn, the garden households brought their tea to sell at the market. But because by 11:00 A.M, the requested notes still had not arrived, and moreover it was raining, Yin Gu addressed the cultivators, saying:
>
> "We have requested jiaozi notes, and they will arrive soon. If you wait until the weather clears, we will weigh your tea for you."
>
> But the cultivators, suiting themselves, took their tea and proceeded directly to the [tea-market] yamen, where they piled it all up. Surrounding Yin Gu and the others, they demanded that their tea be weighted. Then they addressed the brokers:
>
> "You all have put goods up as collateral in the government yamen. Now the government has no money to buy tea. You brokers had better come up with some money to buy a market [session's] worth of tea."
>
> Yin Gu and the others retreated into the yamen and other places of safety. Registrar Xue Yi walked towards the gate of the Hall of the Pure Multitude, but

[520] SHY shihuo 30/12

the tea cultivators began to beat the tea-market service personnel and ripped the sleeves of Xue Yi's gown. Then the cultivators went looking for the brokers, intent on fighting with them. But upon seeing that this was the case, the brokers all scattered.[521]

Lü Tao further explained the background reasons for this unexpected riot. In his mind, the causes of the riot were not limited to this occasion. As he explained,

> [One reason for the occurrence of the riot] is because of Liu Zuo's request that all the tea be quickly bought and sold with thirty percent profit. The government owned markets [which received this request] worried that if they buy the tea at the full price and [sell it to the merchants after adding thirty percent of the original purchase price], the merchants will see no profits in transporting and selling this tea. Those merchants will not buy the tea [from the government]. The markets therefore need to buy the tea [from the small garden households] at a devalued price. They only pay half of the price for per catty [to the garden households]. Moreover, because the markets need to buy tens of thousands of catties of tea, the inspectors cannot take care of all of the sellers. The garden households had already been damaged, and as they had no place to petition their requests they had to gather and fight. …
>
> Currently we are in the season when great amounts of tea planted in the interior mountains will be sold by the garden households. Those households fear that the government will not have enough funds to buy their tea. They will gather and fight as they did before. Our prefecture has confirmed that we have been allocateing jiaozi, 11,200 stings of cash and 1000 liang of silver to the market in the Pengkou for six times . Because the garden households do not want to receive the silver as payment, we have distributed this silver to Jiulong county to be converted [into cash]. The markets do not have enough cash for two reasons: because they can not sell tea to get funds, and because the TMA should have allocated ten thousand strings of jiaozi, but today these funds still have not arrived. Even if we can get this amount of jiaozi and fully use them, we can still only buy two or three market sessions' worth of tea.[522]

In the above report Lü Tao revealed the perspective of the local prefectural

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[521] Lü Tao 吕陶, "Zouwei guanchang maicha kuisun yuanhu zhiyou cisuxuannao shi zhuang 奏為官場買茶虧損園戶致有詞訴喧鬧事狀", QSW 73/128. Translation see Paul Smith, Taxing Heaven's Storehouse ,223-24

[522] Lü Tao 吕陶, "Zouwei guanchang maicha kuisun yuanhu zhiyou cisuxuannao shi zhuang 奏為官場買茶虧損園戶致有詞訴喧鬧事狀", QSW 73/132

bureaucrats about the role and problems of the TMA. From his perspective, the local market's weak profitability and the rigid profit rate ordered by the TMA motivated the bureaucrats in the local market to pander to the interests of tea buyers and squeeze down the purchase price. This activity caused the dissatisfaction of the small producers. Another important problem that Lü Tao revealed involved the serious shortage of funds for purchasing tea. This illustrates that the thirty percent profit that the local market earned had been used up immediately as capital for buying tea. The profit was used by the Pengkou market in two ways. The TMA required the Market to submit its thirty percent profit, but this should refer to the yearly profit. As Lü Tao stated in another report, "If the total capital for this year is 1,000,000 strings, the original regulation required the local markets to return 1,300,000 strings as profit. It did not mean that the local market should buy 100 strings worth of goods in the morning and earn 130 strings."[523] In contrast, under the new arrangement the TMA required the local market to do just so, because otherwise the local market lacked enough funds to buy tea. The TMA therefore needed not only to guarantee the yearly profit but also increase profit to compensate for the shortage of capital.

Lü Tao had also noticed that capital shortages were a major problem in government purchasing. As a local official, he imputed the fault to the TMA. He first clarified that local officials had allocated the funds to the local market for six times. Even though the prefecture and county governments had not followed the order of the TMA to use the thousand liang of silver to buy tea, Lü Tao explained that this was due

[523] Lü Tao 吕陶, "Zouwei guanchang maicha kuisun yuanhu zhiyou cisuxuannao shi zhuang 奏為官場買茶虧損園戶致有詞訴喧鬧事狀", QSW73/126

to the rejection of silver by the small producers as an appropriate currency. Lü Tao complained that the TMA did not guarantee the arrival of enough funds to support the tea purchases. The shortage of funds resulted in worry on the part of the small producers, who urgently needed to sell their tea because it could not be stored for long time, especially in the rainy season. Therefore they forced the brokers to buy up their tea.

Lü Tao's report therefore illustrated a problem that was deeply rooted in the way that the TMA operated in the market. The local markets received a fixed amount of capital from the TMA, which had no intention of adjusting the funding allocation depending on changing market situations, such as the total quantity of tea that the producers wanted to sell. Its only concern was to make the local market submit the rigidly fixed quota of profit. Although the county and prefecture governments reported the real market price every three months, the TMA and its local markets did not consider using reports to determine the appropriate price; their main concern was how to gain the thirty percent profit.[524] In facing the shortage of capital, the measure that the TMA used was to decentralize the responsibility of raising funds to the local markets. The local markets partly took responsibility to compensate the capital shortage. They therefore made great effort to sell their tea and increase their capital. In order to sell the tea, they had to rely on merchants to buy it, so they tended to damage the interests of small producers.

Moreover, the local market had no autonomy to adjust the sales price. The TMA

[524] Lü Tao, "Zou juzhi chang maicha xuanxing chumai yuanfeng bubian shizhuang 奏具置買茶旋行出賣遠方不便事狀", QSW 73/121

imposed strict profit rate requirements on the local market bureaucrats. Once the purchase price had been decided, the local officials could not decide the sales price because they had to gain a thirty percent profit in everyday sales. The only autonomy that the local Market bureaucrats had was to reduce the price of purchase. They therefore relied on coercion at expense of a great number of small producers to guarantee sufficient capital.

As we have discussed, in the original plan that the New Policy makers proposed, the small producers such as garden households should be protected. The state monopolies should gain revenue through strengthening their productivity in the tea industry. The real practice of the state monopolies caused entirely different consequences, however. As Lü Tao revealed, the reduction of prices by the local bureaucrats directly caused capital shortages for producers trying to support their production. They therefore had to lower their product's quantity and quality.[525] The amount that the market collected from the tea producers also fell significantly.[526] All these deeper reasons were beyond the focus of Lü Tao because he mainly attributed the cause to bureaucrats anxious to pursue more profit. The shortage of capital and strict limitation of power could be taken as the most important reasons. After Lü Tao submitted his report, the central court partly rectified the policies related to the TMA.

How Emperor Shenzong proposed to regulate the TMA

One month after receiving Lü Tao's report, the central court abolished the

[525] Lü Tao 吕陶, "Zouwei guanchang maicha kuisun yuanhu zhiyou cisuxuannao shi zhuang 奏為官場買茶虧損園戶致有詞訴喧鬧事狀", QSW 73/130-31

[526] Lü Tao, "Zou juzhi chang maicha xuanxing chumai yuanfeng bubian shizhuang 奏具置買茶旋行出賣遠方不便事狀", QSW 73/123

policy that forced the local market in Sichuan to gain a thirty percent profit in its tea sales. According to Su Zhe's recollection in the Yuanyou period, the central court had already decided to fully abolish the monopsony system in Sichuan. Apparently, this decision would greatly damage the economic interests of the TMA. The central court further asked Li Ji and Sun Jiong to investigate the real situation of the tea market in Sichuan. At the suggestion of Li Ji, the Co-Intendant of the TMA, Pu Zongmin, made the new policies relate to the state monopolies.

According to Su Zhe, the managers of the TMA successfully blocked the central court's intention of ceasing the monopsony system. The measure they used was to bestow more autonomy to the bureaucrats in local markets to adjust the price based on their evaluation of the market situation. An important feature of Pu Zongmin's changes is his new emphasis on market price as the necessary reference for market bureaucrats to consider their purchases and sales on the tea market.[527] The TMA managers emphasized that these bureaucrats would make adjustments based on their local market price. The TMA also reduced the required profit rate from thirty percent to ten percent. These policies would greatly reduce the burden on local bureaucrats and give them more free space to adjust the selling price. Such a claim convinced the central court not to deprive the TMA of its privilege of monopsony.[528] These measures could not resolve the capital shortage, however. The local markets were only required to earn a ten percent profit on their sales, but the TMA and central court did not give them more capital for buying tea from producers. Moreover, a ten percent

[527] XCB v282 ,6913

[528] XCB v366 ,8802

profit rate was not enough to meet the Emperor's goal of increasing revenue, although it could ease the burden of producers. Both the central court and the TMA had to find a new way to balance the interests of the central court with the goal of protecting the smaller producers. As I will discuss, the TMA and central court, guided by the worldview of the New Policy makers, collectively promoted a new way of operating the TMA in the market. This new way could only satisfy their goals in theory, however, not in practice.

The riot in Pengkou and Lü Tao's subsequent report made the central court think it was necessary to clarify its intentions to the bureaucrats. After receiving Lü Tao's report, Emperor Shenzong promulgated a edict stopping the policy of forcing the bureaucrats in local Markets to collect a thirty percent profit on their tea sales. The edict also ordered the TMA not to damage the economic interests of either the government or private producers.[529] The implication of this sentence was that the policies related to the TMA should serve the economic interests of both government and private producers because those interests should be mutually beneficial in the view of the New Policy makers. Lü Tao's memorial gave the Emperor the strong impression that the current operation of the TMA had damaged the interests of both sides because the local bureaucrats focused on chasing the profits of big merchants so that they could sell their tea. Lü Tao also revealed that such a mechanism had already influenced productivity because growers had to reduce their production due to the low purchase price that the local market decided.

[529] XCB v282 ,6913

The edict was also ambiguous, however, in that it had not made clear to the bureaucrats what they should do if they could not satisfy the interests of both sides. In other words, the central court did not clarify which goal should receive the higher priority. The critics who preferred to protect the small producers believed that the only possible resolution was to abolish the state monopolies in Sichuan. After this edict was promulgated, calls for abolishing the TMA became influential. Lü Tao represented this trend because he had clearly said that if the government wanted to protect the interests of small producers, it had to abolish the state monopolies in Sichuan. After a short hesitation, Emperor Shenzong was finally convinced by Li Ji and other TMA managers that the central court should continue supporting the TMA because it would put measures in place to correct the previous mistakes. He therefore began to show this intention in a series of edicts beginning in the seventh month of 1077. In that month, Emperor Shenzong issued an edict dismissing both Lü Tao and Liu Zuo (the manager of the TMA) from office. This punishment showed Shenzong's intention to find a new way of operating the TMA without abolishing it. In the eighth month of the same year, Emperor Shenzong issued a "hand-written edict 手詔" appointing Li Ji as the manager of the TMA. The "hand-written edict" was a special form of edict that was commonly held by contemporaries to be the most direct reflection of the Emperor's mind. In this edict, Emperor Shenzong said,

> The TMA has been established for long time but its institution still has not been completed. If we can not employ people whose talent and intelligence are complete and bright, even if we give this agency with more power we still will waste our time, losing huge profits without any achievements. Recently, because some evil people initiated [their own] intention to shake up the policies, the policies became even more unstable. Because of our court's punishment according

to their faults, the policies became slightly more stable. My observation, however, is that many people still have not begun to serve their careers, and have neglected their duties. If we do not conduct a large-scale reexamination of our policies, in the long run the policies will definitely be destroyed. Recently we have appointed Li Ji to replace Liu Zuo as the manager of the TMA. Li Ji is courageous and resolute. He is therefore reliable. However, his power is still weak and he cannot win over the faction that does evil and damages the interests of the public. I order that Li Ji's appointment be the same as that of Li Qi. He should be concurrently appointed as Administrative Assistant of the State Finance Commission. We should also give him the power of recommending officials who follow the law and impeaching those who break the law. After one or two years, when revenue becomes abundant and the policies are organized, we will take back the power we have given him. [By doing all this], we can prepare for the costs of the border areas [in Shanxi] without relying on the allocation of resource by the State Finance Commission.[530]

In the above edict, Emperor Shenzong first expressed his determination to stabilize the TMA policies. He criticized the existing push to abolish the TMA, and named those who fostered such criticism as evil people. Moreover, he also clarified his intention in making these policies. As he stated, the TMA should serve the overall goal of the central court to generate new fiscal resources for war preparations in Shanxi. He therefore made clear that increasing revenue should be prioritized over other goals.

Shenzong went on to designate the means by which to correct the current problems. He praised Li Ji as talented, courageous and resolute, signaling to other bureaucrats that he believed Li Ji had apprehended Shenzong's intentions and had the capacity to realize them. Based on such trust, granted Li Ji the power to repress evils and mobilize the bureaucrats. Shenzong further emphasized the use of material incentives in the personnel administration, noting that Li Ji should promote those

[530] XCB v284 ,6951

bureaucrats who followed the rules and demote those who disobeyed. Shenzong noted that Li Ji's autonomy would not be permanent; it would only last until Li Ji showed satisfactory achievements. The Emperor himself held the power to decide when and how to delegate authority to Li Ji.

In facing the deviations caused by the TMA, the Emperor could have chosen other tactics, such as centralizing decision-making power and personally deciding every policy related to the TMA. Instead, he made the choice by following his worldview, which echoes the perspective of the New Policy makers on the means through which they could achieve their economic plans. As we have discussed, the New Policy makers had a complete scheme which in their view was sufficient to correct any mistakes because it could shape both the creativity and conformity of the bureaucrats.

Therefore, Emperor Shenzong did not focus on how to correct concrete policies. Instead, he believed that the best way to make the state monopoly operate smoothly was to manipulate its policy-making structure and incentive mechanism. He admitted the great potential that existed within the minds of bureaucrats. For him, once the incentive and decision-making structure was complete, the bureaucrats would automatically make the TMA operate well.

After this edict was promulgated, the central court issued several further edicts that realized Shenzong's design. In the ninth month of the same year, the central court approved Li Ji's request for independent power to decide on the establishment of official posts and administrative affairs. The TMA further gained independence from

the State Trade Agency. It therefore would not follow the State Trade Regulation but could create its own management rules.[531] In the fifth month of 1078, Sun Jiong, the Administrative Assistant of the Fiscal Commission in the Qinfeng circuit, requested a meeting with the Emperor in person to discuss the reform of policies related to the local tea industry. Emperor Shenzong refused his request, ordering him to report directly to the managers of the TMA. Shenzong further explained that if he intervened into administrative affairs related to the TMA, responsibilities would be unclear and the power to make concrete policies would not be unified.[532]

Emperor Shenzong's activities showed his rationale for delegating decision-making power to the TMA. He told the bureaucracy that he thought his intervention would cause a "disarray of opinions" on state monopoly policy.[533] By this he implied that opinions related to the TMA should be unified not by the Emperor but the manager of the TMA. He trusted that all the policies that the TMA managers made would follow the intentions of the Emperor himself. The delegation of power in his mind was not to allow the unlimited autonomy of the TMA, but a means by which to mold the conformity of the bureaucrats. Based on such conformity, the TMA and other bureaucracies cooperated with each other under the leadership of TMA managers.

The TMA managers' response

As the managers of the TMA, Li Ji and Pu Zongmin had apprehended the intention of Emperor Shenzong. They also realized that their conduct must demonstrate that they

[531] XCB v284 ,6957-58
[532] XCB v285 ,6980
[533] XCB v285 ,6980

were following the Emperor's intention, Li Ji and Pu Zongmin recognized that increasing revenue should be their first priority in operating the TMA. The lesson of Liu Zuo, who had disastrously set the mandate to collect thirty percent profit, also reminded them that the Emperor was deeply concerned with the interests of small producers and sought to prevent any turmoil in Sichuan. They needed to convince the Emperor that the policy they crafted could satisfy both of these goals. They would not repeat the mistake of Liu Zuo, nor could they follow the opinion of Lü Tao, who suggested abolishing all the state monopolies. The worldview that the New Policy makers held in common provided the theory for them to prove that their policies could achieve all these purposes.

In the fourth month of 1078, Li Ji submitted a memorial discussing the issue of how to regulate the price of tea in the tea-horse trade of the Xihe circuit. Li Ji illustrated how a New Policies-style incentive mechanism could guide the market bureaucrats to optimize prices. As Li Ji stated,

> Previously, [the former manager of TMA] Liu Zuo set the price of Mingshan tea [produced in Sichuan] in the local Markets of Xihe circuit at thirty-seven strings per tuo. [The Prefect of Qinzhou] Lü Dafang employed Murong Yuni and reduced the tea price to twenty-five strings and one hundred and sixty wen per tuo. The private market price last year was twenty-seven strings. From these facts, we find that Liu Zuo only knew of increasing prices but had no idea about how to reduce them. Lü Dafang, on the contrary, only knew how to decrease the price but had no idea about how to increase it. Therefore we say neither of them could accommodate [market changes] in their crafting of policy. I hereby submit the following suggestions.
>
> --- The TMA should make a general range of price changes for all the tea that the government sells. [Based on this scope, the local market at the prefecture level] should adjust this price depending on the market situation. If the price needs to be increased, the local markets should investigate and confirm the situation. After they have increased the price, they should report to the TMA. The TMA will

review those cases. If their adjustment was not at the right moment or if their reports are not true, the TMA will impeach them according to the degree of severity. If they need to reduce the price, they should report to the TMA and wait for the TMA's response.

---- The TMA officials can earn great profits benefiting from the high price of tea. Liu Zuo represents those who cannot handle the real situation well, and destroy the laws. The governmental agency which trades tea to get horses sought to decrease the tea price. If the price is low, the Tibetan merchants will be happy to contribute more horses because they can also get high profit. Recently the court established the law on transactions between different governmental units. This law will resolve the abuse of price competition between governmental agencies. I will not discuss this in detail. There is another point I need to emphasize. If we allow the market bureaucrats to increase the price by themselves, it is possible that they will become devoted to increasing prices at the expense of decreasing the quantity of tea sold. [In order to avoid this problem], we need to decide a fixed quota on their sales quantities and legislate rewards. We therefore can make everyone pursue those rewards, and the policies will be accomplished without the court expending effort on those affairs. Now we find that the quantities of tea sold in the tenth year of the Xining period were much higher than in previous years. Therefore we have set a quota based on the data of this year. The tea sold in the Horse Barter Market of Qinzhou totaled 5924 tuo. We therefore set the quota at 6500 tuo…[534]

Compared with the previous institution that had forced market bureaucrats to collect thirty-percent profits without giving them freedom to decide price based on market changes, the new system bestowed those bureaucrats with more flexibility to handle market changes, and built a new incentive mechanism.In this memorial Li Ji held that the key fault of Liu Zuo and Lü Dafang had been that they did not know how to adjust their policies related to the tea price according to the changing situation of the market. They resolution he proposed was not to centralize pricing authority into the hands of central court and the TMA management, however. The TMA managers only decided the scope for price adjustment. The bureaucrats at the local markets had the autonomy to decide, especially in situations where they thought the price needed

[534] SHY zhiguan 43/51

to be increased. In such situations, the TMA managers only supervised their decisions. The TMA had more power to intervene in price reduction because increasing prices was taken by the TMA as more important than reducing them. The profit of each sale was not fixed; the bureaucrats could flexibly decide how much profit to seek from each sale, while calculating how to achieve or even exceed the annual quotas.

In Li Ji's mind, stimulating the enthusiasm of the local bureaucrats was the fundamental way to increase revenue without repeating Liu Zuo's mistakes. Li Ji mentioned nothing about how to deal with the causes of price fluctuations because he thought the economic problems were caused by the political attitudes of bureaucrats rather than the operations of the economic system itself. In his logic, if the leaders could build an institutional context to discipline the minds of the bureaucrats, those bureaucrats had the innate faculty to figure out the best way to adjust prices to the proper level. Li Ji further claimed that the means through which the central court could raise such enthusiasm was to rebuild the quota and the rewards system. The bureaucrats should reach the quotas made by the TMA. If they could exceed the quotas, they would be rewarded, or punished if they fell short. Li Ji also emphasized that allowing bureaucrats more free space to decide the profit rates in each sale would help them avoid Liu Zuo's mistakes, because, if they raised the price too high, the market would lose interests, they could not sell enough tea, and they would not achieve their quota. Based on such logic, Li Ji proved that the goals could be attained in theory.

Li Ji in his memorial showed that he had apprehended the intentions of the

central court and further articulated that he had found the correct way to achieve those intentions. The worldview that guided his logic was the New Policy makers' view that material incentives could lead people's minds onto the right track enabling them to figure out the best way to do business in the market without learning how the market was actually operating. Such a view relied on their systematic understanding of human nature and dao. In this understanding, the process of creating new policy is controllable because in the innovative process people's minds are predictable. Li Ji believed that government policies should change in accordance with the changing market situation. Such a change in could be generated and completed simply by stimulating the bureaucrat's enthusiasm and creativity, rather than investigating and explaning the concrete variables that caused price changes.

In such a design, the TMA and central court need not regulate the operation of local markets based on any explanation of the economic system. Li Ji proved in theory that the quota system and the policies of reward and punishment were sufficient to build the state's adaptation to the changing market.

During the subequent years of the Yuanfeng period, the policy paradigm that Li Ji proposed in the above memorial continued to be applied by other managers in their building of the TMA's institutions. A new quota system took shape in the sixth month of 1083 under another TMA manager, Pu Zongmin. As we have discussed, in Liu Zuo's quota system, the profit rate had been fixed at thirty-percent or ten-percent.. In order to gain more profit to compensate for the shortage of capital, bureaucrats had to shorten the time of each transaction and reduce the purchase price to satisfy the

interests of buyers. Within such a system, the revenue was counted in two parts: investment and profit. The profit rates referred to the profit-to-investment ratio, fixed at thirty percent. The central court only needed to set a revenue quota because the amount of profit was determined by this quota. This quota system originated from the State Trade Regulation and from the Green Sprout Policy which had been widely applied in the government-controlled credit system and stimulated the expansion of government credit, which caused high financial risks.

The new quota system for the TMA, however, was very different from the previous system because of its abandonment of fixed profit rates. The bureaucrats in the markets could flexibly decide the profit for each transaction. Apparently, the bureaucrats had great autonomy in deciding price and profit. The central court only required that each Market achieve total profit quotas for each year, rather than regulating how much profit they could earn from each individual transaction.

The bureaucrats in the Ministry of Revenue had not realized the essence of this new system until 1083, however. Because the old quota system still continued in the salt monopolies at that time, the bureaucrats in the Ministry of Revenue continued the same quota system for the TMA in 1083. TMA manager Pu Zongmin noticed this problem and submitted a memorial pointing out that the revenue quota was not proper for the new way of operating the TMA. Because the bureaucrats in local markets had earned pricing autonomy, the quota system should aim at stimulating their enthusiasm to increase profit. The old system could not achieve this purpose. Pu Zongmin presented an example to illustrate his point. If the bureaucrats in the market wasted a

great amount of capital to purchase tea but sold it at a very low profit, they would be rewarded because they increased revenue. A great amount of capital would be wasted, however, aggravating the capital shortage. In contrast, those who saved their capital but earned high profit might be punished if the total revenue they earned fell below the quota.[535]

Extant records illustrate how Pu Zongmin's incentive mechanism extended into the local Sichuan Markets and became the main focus of both the central court and TMA managers in their proposed regulation scheme. The TMA made fixed quotas of profit for annual sales, as called for by the regulations. The bureaucrats would earn bonuses if the could exceed these quotas. They would also be promoted if they could collect a certain amount of profit. The regulations also gave the local Sichuan markets clear autonomy to decide the profit rates depending on the changing market price.[536]

If comparing this regulation with the problems revealed by Lü Tao, we find that it offered no real response to the major difficulty faced by local markets, namely, the shortage of capital. By delegating autonomy to the market bureaucrats, the TMA managers in fact evaded this major problem. The rationale that guided them was their belief that they could resolve any problems in the market by building an institutional context to discipline the minds of the bureaucrats. Guided by such a view, they overlooked other factors such as the shortage of capital and insufficient knowledge of market operation on the part of the bureaucrats. The real practice of policy, however,

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[535] XCB v341 ,8201

[536] SHY shihou 30/19. For lengthy discussion on this regulation, see Paul Smith Taxing Heaven's Storehouse, ,186-187

illustrates that the mode of regulation chosen by the TMA and the central court was insufficient to prevent the recurrence of the previous problems in the local markets.

How the TMA managers gained benefits for their agency by showing their grasp of the Emperor's intention

The managers of TMA showed their apprehension of the intention of Emperor Shenzong in two main ways. As discussed above, they first theoretically proved that they could attain the Emperor's goals by innovating reward and punishment institutions based on the new quota system. Then, as we will discuss, in the real policy implementation process the TMA leaders focused on increasing the profit that they delivered to the central court. Emperor Shenzong responded with positive feedback. In the fourth month of 1079, Li Ji reported to Shenzong that he had gained 76,7066 strings of profit after reformed the incentive system of the TMA. In his reply to Li Ji's memorial, Shenzong praised his work, writing,

> The previous commissioners who took charge of the reform of Sichuan's tea monopoly could not figure out the correct way. People had many criticisms, and public opinion was shaken. [At this moment] Li Ji can illuminate the intention of the law and accomplish this achievement in a short time. We should promote him to motivate the other officials.[537]

Shenzong wrote this reply on Li Ji's original report of his achievements of profit and revenue collection. Shenzong's attitude made the TMA managers know that the best way to show their grasp of the Emperor's intention was to show their capability to make higher quotas, and after doing this they could obtain better favor for the TMA's interests. In deciding the quotas for each local market, the managers set the

[537] XCB v297 ,7229

quota even higher than the average profit of each market. Based on those quotas, the TMA also kept on increasing its total quota of profit from 40,000 strings (1074) to 50,0000 strings (1082) and eventually 100,0000 strings (1084). In their regulation of the market activity of bureaucrats, their focus was therefore on making quotas for each Market and motivating the bureaucrats to achieve those quotas.

In its competition with other agencies, the TMA sought to show the central court that the satisfaction of the TMA's economic interests would be necessary for achieving the central court's intention. In so doing, the TMA bested other agencies. One such case is the TMA's competition with the Horse Purchase Bureau (HPB).

The original policy before 1081 required the HPB to use silver and silk to trade for horses from Tibetan merchants. The merchants had no strong interest in these trade goods, however, because they wanted Sichuan tea more than any other goods. Due to the urgent need for war horses, the central court sent Guo Maoxu, the Intendant of the HPB, to investigate this problem and suggest new policies in 1081.[538] Guo Maoxu understood that the intention of the central court was to enlarge the quantity of purchased horses.[539] He took this as an opportunity to serve the interests of his agency. He therefore suggested that the central court endow him with the power to take charge of the TMA, allocating its tea and other fiscal resources to support the purchase of horses in Shanxi.[540] The central course approved his request, but it was strenuously rejected by the manager of the TMA, Pu Zongmin, who saw it as a great

[538] SHY zhiguan 43/53

[539] SHY zhiguan 43/57

[540] SHY zhiguan 43/56

threat to the economic interests of the TMA. His difficulty was convincing the central court that the interests of TMA should be fully considered given how important an issue the purchase of horses was for the central court.

In the eleventh month of 1081, Pu Zongmin submitted a memorial to the central court explaining his reasoning. As he reported,

> I have received an edict from your majesty which requires that Mingshan tea only be used to purchase horses, stating that the TMA cannot sell it to get other goods until the HPB's annual quota for horse purchases has been reached. You also require that all the other kinds of tea that the TMA produces be freely mobilized [by the HPB] as resources to trade for horses depending on the requests of Tibetan merchants. … [As you majesty knows], our agency has been contributing great amounts of revenue every year. For Xihe circuit alone, we have cotributed 20,0000 strings cash every year. We also support the contingent expenditures of the central court. ... We can only rely on the sale of Mingshan tea to get all these fiscal resources. You require us to sell the tea only after the HPB has finished its purchase of horses, but the HPB cannot achieve its quota until the end of the year. [If we follow this request], then we have to stop selling the Mingshan tea, storing all that tea in preparation for the HPB's purchase of horses at the beginning of the year. Then we will have no chance to sell Mingshan tea for the whole year.
>
> Recently, the central court also required that other kinds of tea be used by the HPB to purchase horses. Our agency's market activities are constrained by these requests. We are worried that we cannot attain enough revenue to support your expenditures. Moreover, the Tibetan merchants' trades do not only include horses; they also buy our tea with their goods such gold, silver, grain, mercury, musk, tricholoma, cattle and sheep, then they trade the tea in Tibet. If we cannot catch the chance to sell our tea immediately, those merchants will buy other goods. This will cause a loss of revenue. We currently have overstock of Mingshan tea. The Tibetan merchants do not just want the tea. ... The overall need for tea by the HPB is no more than 15000 to 16000 duo. [Given the reasons above,] we hope your Majesty might issue a new command to allow us sell all kinds of tea. We also hope your Majesty might allow us to sell the Mingshan tea after we have achieved the quota of the tea needed for supporting the HPB's purchase of horses. We hope that the TMA and HPB will not interfere with each other. [541]

[541] SHY zhiguan 43/59

In the above memorial, Pu Zongmin tried to convince the central court that to maintaining the fiscal independence of the TMA would be a better alternative for serving the central court's overall fiscal scheme. Pu emphasized to the Emperor that the function of the TMA was to provide cash resources to fully support the expenditures of the central court, especially for war preparations and other contingent expenditures. In his previous edict the Emperor had made it clear that Pu Zongmin had correctly interpreted the central court's intention for promoting the development of the TMA. Pu Zongmin repeated the Emperor's intention, to show that he had correctly grasped it. He further stated that the Mingshan tea was the only resource that the TMA could mobilize to achieve this goal. If the central court delegated the power to the HPB, the TMA would have no resources left to satisfy the goals of the central court. He pointed out that if the HPB held the tea for the whole year, the TMA would lose its best chance to gain profit on the market, because the merchants would trade for other things. Through illustrating how keeping TMA's autonomy to sell tea will be the best way to serve the intentions of central court, Pu Zongmin convinced the central court. His suggestion was approved by Emperor Shenzong.

The phenomenon we have discussed in this section illustrates the worldview of both the Emperor and the TMA managers in considering their roles and functions. Their worldviews guided what they took to be the foremost concern in making policies to resolve the real problems they faced. Emperor Shenzong explicitly expressed to the managers of the TMA his intention, and made this intention serve as a guideline for the TMA. In facing problems and thinking of solutions, the TMA

managers considered how to show apprehension of the imperial intention, as only by doing this they could gain the Emperor's trust and support. Guided by such a belief, they continually increased the total quota of profit in order to show that the TMA was capable of satisfying that intention. They also convinced the Emperor that the resources they sought were necessary to achieve his intention, and that those resources must not be be taken away by other bureaus. The case of HPB provides another example to illustrate this point. In 1084, the HPB could not attain its horse purchase quota. Even though it complained repeatedly to the central court that its difficulty lay in the high price of the tea that the TMA produced, the central court brushed off such complaints. The result was that the HPB was dissolved by the central court.[542] The HPB failed because it could not convince the central court that it had the capacity to fulfill the intentions of the Emperor. It therefore lost its autonomy.

Faced with problems in the real operation of the TMA's local market in Sichuan, the worldview of both the Emperor and the managers of the TMA guided them to abandon the fixed profit rate and instead to adopt a fixed profit quota as the way to regulate the bureaucrats' activities in the market. The TMA managers convinced the Emperor that through rewarding and punishing the bureaucrats based on a quota system these officials would figure out a way to deal with price fluctuation, one that could not only benefit the economic interests of the state but also increase the productivity of other actors in the market. The TMA gained autonomy because its managers successfully showed that they could satisfy the intentions of the central

[542] SHY zhiguan 43/68

court. The TMA bestowed autonomy to the market bureaucrats because both the Emperor and the TMA's own managers believed that the main thing they needed to do was to build material incentives that could inspire the enthusiasm of the bureaucrats. The decision-making power in the market was distributed among different levels of the TMA, based on their views on how to shape the collectivity and creativity of policy participants.

Consequences of the regulation

The TMA managers and the central court held a coherent worldview that could in theory shape the market into a perfect order, maximizing their interests, strengthening their productivity and increasing the wealth of both state and social actors. This worldview was based on their understanding of human nature and the dao. Within such an understanding, the people can be guided onto the correct track by incentives provided by the leaders. Once on this correct path, they would bring their talent and virtue to its fullest use, applying their creativity to successfully deal with market changes and achieve the intention of the Emperor. Led by officials who had grasped the intention of the Emperor (or in other words, the dao of the world), the members of the state monopolies would collectively guide the state monopolies toward correct operation in the market. This process could therefore regulate any deviations that appeared in the state's intervention in the market, and successfully build a coordinative method for operating state power in the market.

The actual operation of the local Markets throughout the Yuanfeng period did not prove their belief, however. The abuses that Lü Tao had revealed did not disappear.

More abuses emerged, due to the TMA's over-emphasis on the quota system.

In the second month of 1086, after the death of Emperor Shenzong, Su Zhe submitted a memorial discussed the problems that had plagued the TMA during the Yuanfeng period. Su Zhe revealed several major problems which illustrated how the regulation was bounded by the worldview described above, leading to despotic applications of state power in the market.

First, the real operation of local markets shows that the incentive system that the TMA managers had established could not enlighten the bureaucrats' virtue and talent in dealing with the market changes. Instead, their limited knowledge of the real operations of the market left them incapable of dealing with price fluctuations. The pressure imposed by the quota system motivated them to rely on despotic ways of garnering rewards and avoiding punishments. As Su Zhe revealed, in the local markets the bureaucrats kept on squeezing down the purchase price even though they were no longer forced to gain a fixed profit rate. The purchase price of tea in many prefectures of Sichuan had dropped to half of the price encountered before the establishment of the monopsony system. As Su Zhe explained, the bureaucrats in the markets forced producers to reduce the price because the bureaucrats wanted to sell the tea easily to the merchants. This phenomenon showed that the bureaucrats had little ability to gain profit by following the rules of the market, leaving them to rely on administrative enforcement to save costs. They could not figure out proper ways to deal with market changes even after they were given more autonomy. Moreover, the coordination between purchasing units and selling units was not close. The purchasing

units in Sichuan provided much more tea than the markets in Shanxi actually needed. This problem made the tea in Shanxi unmarketable, so that local markets had to force local people to buy tea. The TMA therefore played a role in destroying the local markets in both Shanxi and Sichuan.

The occurrence of these problems reveals that the bureaucrats lacked adequate capacity to handle market information, coordinate internal operations, and make decisions to deal with price changes. Although their enthusiasm had been raised due to the material incentive system, such enthusiasm could not compensate for the losses caused by their low capacity in operating the state monopolies in the market. In contrast to the expectations of those who formulated the New Policies, the bureaucrats' enthusiasm to achieve their quotas motivated them to abuse their political power to earn profit. The material incentive system therefore backfired.

The Mingshan tea producers had reported these problems to the county government in Mingshan, and the county government reported the cases to the Chengdu prefecture government, which accepted and heard the cases. After knowing of this, the first response of the TMA managers was not to address these actual problems, but to send a memorial to the Emperor complaining that the local prefectural government in Sichuan should not respond to such problems. In the mind of the TMA managers, the prefectural government's interference with their legal autonomy was more important than resolving these problems. The central court also accepted the TMA's position, because in both of their worldviews, regulation should follow the administrative hierarchy, in which the TMA had the exclusive privilege to

decide policies.[543] This situation also occurred after the central court received Lü Tao's report on local market problems. After receiving the report, the central court would first consider enforcing the power of the TMA rather than resolving the problems. The occurrence of deviations in the policy process therefore became the impetus for power consolidation of the TMA. The real problems continued, however, and became more serious.

Moreover, the quota system limited the attention of both the central court and the TMA mangers to the issue of how to satisfy the quotas and intentions of the Emperor. They therefore overlooked other problems, making every effort to increase their profit. The TMA manipulated ambiguities in the legal definition of profit and included the tea tax they collected as part of its declared profit. They also intervene in the trade of wine, salt and porcelain. This was all because of their desire to satisfy the central court's intention. During the Yuanpeng period Emperor Shenzong had noticed all these problems because Pu Zongmin had reported those activities to the central court. However, Emperor Shenzong believed that making the TMA managers follow his intention was much more important than regulating the concrete measures that those managers used to achieve such a purpose. The central court therefore gave priority to the probem of how to maintain the TMA managers' correct understanding of the Emperor's intention, and continue stimulating their enthusiasm to attain this intention, rather than to resolve even those problems that had made the policy's implementation deviate from its original vision.

[543] SHY shihuo 30/14

The mechanism discussed above explains the reasons for the uneven responsiveness of policy makers to problems which were caused by the low capacity of local bureaucrats to deal with market changes. As we have argued, all these problems grew from the inability of the policy makers' worldview to explain the workings of the economic system or seek resolution to the problems that occurred within this system. A theoretically coherent worldview therefore caused unexpected consequences in its implementation.

CONCLUSION

The Concrete subject continues to lead an independent existence after it has been grasped, as it did before, outside of the head, so long as the head contemplates it only speculatively, theoretically. So that in the employment of the theoretical method in political economy, the subject, society, must constantly be kept in mind as the premise from which we start.
-- Karl Marx[544]

This dissertation has examined the political economy of state intervention during the New Policies period in pre-modern Chinese history. It touches upon a classical issue in the field of political economy which Karl Marx fully elaborated in his well known critique of the Hegelian tradition in German political economy: the interactive dynamic between ideas and historical context, and its impact on political and economic practices. As Marx's quote implies, the objective world operates independently of how it is perceived in people's subjective world, and people's explanations of the world have great limitations. Although my dissertation shows how that discrepancy caused a real impact on the operation of state power, I have not written it to testify to any abstract philosophical principle. Rather, I have sought to show how the distinctive lines of reasoning held by eleventh-century Chinese statesmen interacted with their concrete historical context to produce a particular mode of governing. Based on a deep inquiry into the New Policy makers' intellectual landscape and the historical process of state intervention, I have explained how the limited facility of the New Policy makers' worldview in explaining real economic

[544] Karl Marx, Introduction to the Critique of Political Economy, (Prometheus Books, 1998), 17

changes led to their failure in organizing social and political actors to attain their policy goals.

We have begun with a thick description of Wang Anshi's intellectual landscape. Wang Anshi and his contemporary intellectuals faced a dual challenge in their thinking about the political order: 1) How to make participants in this order think and behave in a correct, consistent and innovative manner to overcome the confusion in their minds resulting from a sense of uncertainty in facing the changing objective world; and 2) In the process of governing, how to make this correct way of thinking accountable and acceptable to others, so that all people could behave in the same manner in accordance with the ruler's will.

Wang Anshi's theory of learning has two sides. There is self-cultivation aspect, which for Wang was both a personal moral and intellectual endeavor. There is an aspect of his theory that seeks external knowledge pertaining to political management of the world. He believed that external knowledge and people's innate faculty were connected. I suggest that the linkage is made in various ways. There is a dao, which is unitary and integrative, and to which all humans are connected by their nature, but not all humans realize their nature. Even if they do, it may mean only that they are realizing their desire for profit. So goals must in fact be set externally.

In Wang Anshi's mind, the role of the political system loomed large, and since the Emperor was at the apex of the political system he was ultimately responsible for setting goals. But how should the Emperor set goals? Here the "intentions of the

Former Kings" served to answer this question. Wang Anshi in his line of reasoning did not elaborate the way to judge the Emperor's intention. Although he frequently corrected the Emperor's errors in informal conversations, Wang Anshi never challenged the Emperor in front of public audiences or in formally promulgated documents. Instead, he claimed to all that the Emperor's intention in making policies was in accordance with the intention (or the yi) of the Former Kings, and should therefore be strictly followed.

At the same time, the Emperor should not be called upon to decide all administrative affairs in the formal policy making procedure. He should give free reign to bureaucrats whom he trusted to have apprehended his intentions. Those bureaucrats, in turn, established material incentives to lead others who had not realized the dao, making them exhaust their talent to fulfill the goals that the Emperor intended to achieve. The proposition behind these lines of reasoning was that people had the innate faculty to enable them to overcome any difficulties in dealing with actual changes and collectively act in consistently correct manners. The policy makers could fully enlighten their potential by building institutions to either guide them to apprehend the intention of the Former Kings (or the Emperor), or stimulate their talent. We might well ask, how should we understand the importance of practical knowledge in explaining and resolving economic problems? This question, however, was not the concern of the drafters of the New Policies.

In the following chapters, this dissertation has shown how political belief guided the drafters of the New Policies to deal with encountered policy deviations and

the consequences of those processes. The three cases in my dissertation show the New Policies makers' different ways of responding to the resistance of the political elites, government agencies, and low –level local bureaucrats. I have defined such strategies as "limited regulation," by which the regulators focused on disciplining people's mentality rather than responding to actual policy deviations. Such a way of regulation originated from the New Policy makers' systematic vision of how the world operated and the correct way of building an ideal political order. They believed that they could overcome any policy deviation by directing the policy participants toward the correct way of thinking. In facing practical difficulties, they adhered to certain measures without considering the changes in the real situation. The actual behavior of market actors and bureaucrats contradicted their expectations, however, and their rigid responses seriously weakened the state's organizing capacities.

The Green Sprouts Policy raised great opposition among the political elites at the central court. In facing the spreading critiques, the drafters of the New Policies rejected the existing deliberative mechanism that incorporated and organized different opinions based on their merit in resolving policy problems, even though the Emperor tried his best to maintain that mechanism. The worldviews of the critics led them to oppose the entire policy because they firmly believed that it would lead to irreversible political disorder, undermining social customs and people's moral worlds. The drafters of the New Policies firmly believed that to tolerate such critiques before the public would cause great confusion in the mind of policy implementers. They

therefore refused to make any concessions to these critics, publicly refuting the most influential critique which was conducted by Han Qi. They took such sharp action to educate the bureaucracy as to the ideological position of the central court. The reaction by the critics, however, aggravated the cleavage between the two sides. Factional lines were constructed by both critics and the drafters of the New Policies. The New Policy makers eventually convinced the Emperor that only by purging the critics could the center mobilize the entire bureaucratic system to implement the New Policies.

The New Policy makers' determined attitudes toward the resistance of political elites contrasts with their inaction in facing the policy deviations caused by government agencies attempting to regulate the depreciation of pond salt vouchers. The salt vouchers served as bonds that the local government issued to support their spending on behalf of the central government. The large number of these vouchers and their multiple uses shaped a financial market in which merchants and government agencies influenced the price of the salt vouchers. Due to local over-issuance of the vouchers and their manipulation by powerful market actors, their value kept depreciating in the New Policies period. In order to resolve this problem, the drafters of the New Policies established new government agencies and crafted rules that ordered those agencies to adjust supply and demand to regulate prices according to market needs. This policy gave those agencies the privilege of control over great numbers of salt vouchers. Those new agencies did not follow the rules, however, but

only pursued revenue. The circuit governments also kept issuing more vouchers. The central policy makers remained inactive in the face of these problems because they took those agencies to be following the Emperor's intention, and they relied on them to increase revenue to support warfare with other states.

This response illustrates the first dimension of what I call "limited regulation." The policy makers were not concerned with how to resolve the concrete problems they faced, but only stuck to measures intended to enlighten the bureaucrats to apprehend the ideological position and intention of the policy makers. Such measures included the exclusion of critics, which publicly showed the court's determination to implement the policies. They also educated the bureaucrats to see the coherence of things in the external world at a higher order of abstraction or generalization, as manifested in the intentions of the formulators of the New Policies in their creation of concrete policies. Once the policy makers thought that the bureaucrats had apprehended their intention, they believed that these bureaucrats would instinctively figure out the best ways to deal with market problems. They would then give the bureaucrats more autonomy, regardless how those bureaucrats actually behaved. The limits of their worldview weakened the state's organizing capacity in its interventions into the financial market.

Chapter Five illustrates how the New Policy makers' worldview guided the Emperor to respond to policy deviations encountered by the local bureaucrats of the state monopolies in the tea and salt industries. In facing the local bureaucrats'

collaboration with powerful merchants and their collective victimization of the interests of small producers, the Emperor did not adopt measures to directly correct those problems. Instead, he delegated decision-making power to the managers of the monopolies who had publicly demonstrated their apprehension of the Emperor's intention to increase revenue while simultaneously increasing social productivity. The Emperor's reaction illustrates the New Policies makers' design of the hierarchical policy making system. In that system, the Emperor set the goal for any policy because only the Emperor had the authority to judge which policies represented the intention of the Sages. The Emperor would not intervene into small affairs, but chose bureaucrats who he believed to have apprehended his intention and delegated them autonomy to develop concrete rules. Such a view also guided the managers to prioritize their demonstration of their true apprehension of the Emperor's intentions.

We find that the real causes of deviation from ideal policy implementation lay in the shortage of the capital for supporting the monopolies' operation, bureaucrats' lack of knowledge in explaining market changes, and their weak capacity to create new channels for selling goods. Although both the central policy makers and the managers realized those problems, they had no intention to resolve them. I take their actions to represent the second dimension of the "limited regulation" because of their narrow attention to the quota system and overlooking of other problems. Both the Emperor and his mangers made revisions to the quota system while continually giving free reign to the local bureaucrats. Such measures originated from their understanding of the omnipotence of human nature. For them, if the incentive system could be

improved the bureaucrats would find ways to resolve any problems they faced Therefore they favored making the best use of the forces of material incentive as means of regulating human behavior. They confined regulative power into a limited space so as to create conditions under which the knowledge and initiative of individuals were given their best scope.

This limited regulation also built an ideational foundation that validated the policy makers' pursuit of more revenue. The mangers convinced the Emperor that even if they kept on increasing revenue quotas, material incentives and free reign could still stimulate the talents of bureaucrats. Guided by such a belief, the Emperor and his monopoly managers continually increased the revenue quotas instead of resolving the real difficulties for the local bureaucrats.

The policy process illustrates that the drafters of the New Policies followed an unrealistic belief. The knowledge, rationale and capacity of bureaucrats fell far short of the ideal imagined by the policy makers, even when they were given both autonomy and incentive. Increasing fiscal burdens motivated the bureaucrats to damage the interests of small producers and strengthen their cooperation with powerful merchants.

History witnesses the emergence and eclipse of choices. The duty of the historian is to explain why at some critical junctures, certain choices prevailed but others disappeared. In pursuing the answer, I have stoop between idea and reality, investigating their interaction and discovering their discrepancies. The work of

scholars as the explainers of historical change can only be fulfilled when we trace and explain the consequences of ideas in their practice. From such a perspective, history is not a lineal process that can be divided into periods with static features.[545] Rather, we should focus on the critical junctures during which relatively long periods of institutional stability ended and the new possibilities of change occurred due to the innovative ideas and practices of historical agents.[546] We should then explain the institutional outcomes that were produced by the interaction between these ideas and their historical context. Our examination of a particular critical juncture, such as the New Policies period, will enable systematic and contextualized comparisons of different critical junctures in Chinese history. We should explain how the distinctive interactive dynamics between ideas and temporal and spatial context of each critical juncture shape the specific course of state-building. This comparison will lead us to study the state's fluctuating organizing capacities throughout Chinese history and its relation to the dynamic institutional structure that was produced through the practice of political philosophy. Our theorized explanation will answer James Madison's question that was posed in the introduction: how to build a state with a strong and sustainable capacity to organize social and political actors to benefit the public good?

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[545] For the most influential English work on the periodization of middle period Chinese history, see Hartwell, Robert "Demographic, Political and Social Transformation of China, 750-1550," Harvard Journal of Asiatic Studies 42 no (1982), 365-422

[546] Giovanni Capoccia and R Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative and Counterfactuals in Historical Institutionalism," World Politics 59 (2007), 341-69. For the recent discussion on the advantage of longue-duree historical research, see Jo Guldi and David Armitage, The History Manifesto, (Cambridge: Cambridge University Press, 2014).

The answer however is restively simple and familiar: knowledge is power.

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